Milestones

Annual Report 2011

GRAMMER

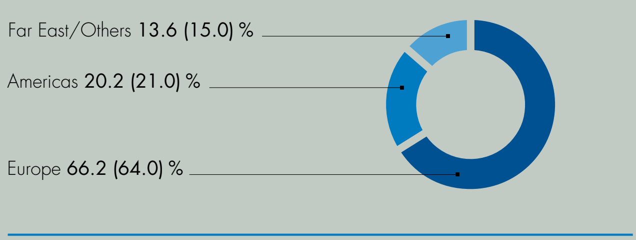
Key figures according to IFRS

in EUR m

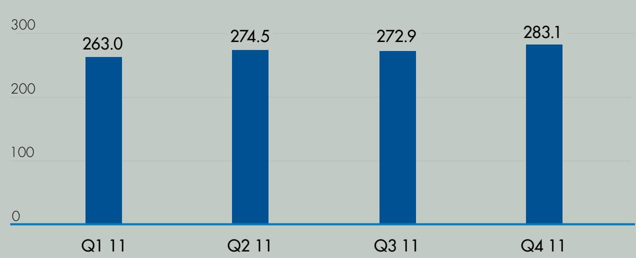
	2011	2010	+/– %
Group revenue	1,093.5	929.7	17.6
Automotive revenue	680.3	610.2	11.5
Seating Systems revenue	438.0	341.9	28.1
Income statement			
EBITDA	76.9	59.2	29.6
EBITDA-margin (in %)	7.0	6.4	0.6 %-points
EBIT	49.4	32.9	50.2
EBIT-margin (in %)	4.5	3.5	1 %-point
Profit/loss (–) before income taxes	34.3	20.6	66.5
Net profit/loss (–)	22.1	16.3	35.6
Statement of financial position			
Total assets	625.2	559.4	11.8
Equity	211.2	173.1	22.0
Equity ratio (in %)	34	31	3 %-points
Net financial debt	92.1	113.8	–19.1
Gearing (in %)	44	66	–22 %-points
Investments (without M&A)	37.6	38.1	–1.3
Depreciation and amortization	27.5	26.3	4.6
Employees (December 31)	8,726	7,955	9.7
Key share data			
Share price (Xetra closing price, in EUR)	13.02	18.30	–28.9
Number of shares	11,544,674	10,495,159	10.0
Market capitalization (in EUR m)	150.3	192.1	–21.8
Dividend (in EUR)	0.40*	0.00	–
Earnings per share (in EUR)	2.02	1.60	26.3

* Proposal

Revenue by regions (previous year in brackets)



Group revenue by quarters (in EUR m)



Company profile

GRAMMER AG, Amberg, Germany is specialized in the development and production of components and systems for automotive interiors, as well as driver and passenger seats for offroad vehicles, trucks, busses and trains. With roughly 9,000 employees, GRAMMER has facilities worldwide and is a leading global player in the automotive and seating segments.

GRAMMER worldwide

Increasing market dynamics, utilization of cost advantages, tapping new sales potential, and the heightened international involvement of our customers and suppliers are the primary drivers of our global presence. As a global player in the automotive and commercial vehicle segments, we have locations across 4 continents in 24 fully consolidated companies with more than 30 production and distribution centers in 18 countries – a local partner to all of our customers.

America
Argentina
Brazil
Mexico
USA

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

Asia
China
Japan
Turkey

Our Divisions

Seating Systems

Around the world, GRAMMER Seating Systems develops and produces driver and passenger seats for agricultural and construction vehicles, fork-lifts, trucks, busses 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.

Key business segments

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

- Truck & Bus
  Driver seats for trucks and busses

- Railway
  Passenger seats for trains
  Train driver seats

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.

Key business segments

- Headrests

- Armrests

- Center consoles

Strategy

Seating Systems

- Expansion of technology leadership for innovative seating systems
- Utilization of growth potential in Asia and North America
- Strengthening of worldwide market position through market/customer-oriented solutions for offroad and truck seats

Key figures Seating Systems

in EUR m

	2011	2010
Revenue	438.0	341.9
EBIT	30.6	17.6
EBIT-margin (in %)	7.0	5.1
Investments	22.1	15.8
Employees (December 31)	3,377	2,744

Automotive

- Targeted market development with selected customers in Europe, Asia and NAFTA with a complete product range
- Expansion of our position as first tier supplier for interior components
- Cost leadership in the headrest segment and operational excellence in all processes through optimization of production technologies and value chains

Key figures Automotive

in EUR m

	2011	2010
Revenue	680.3	610.2
EBIT	26.9	21.4
EBIT-margin (in %)	4.0	3.5
Investments	14.8	22.0
Employees (December 31)	5,148	5,034

Milestones 2011

GRAMMER Group once again looks back upon a year of successes in 2011, in which we achieved important milestones. Our investment in new markets and products is beginning to pay off – with new records set in terms of revenue and operating profit.

On the financing front, our foundations have been strengthened significantly through a capital increase and restructuring of our financial liabilities. For the first time since the year 2008, we will again pay a dividend so that shareholders can participate in the success of the Company.

Through introduction of numerous new products and acquisition of Belgian electronics specialist, EiA Electronics, we have opened the next chapter in a successful future.

Our 2012 milestones focus on leveraging the immense growth potential, especially in Asia and America. We aim to become even more profitable and to further optimize cash flow in order to ensure adequate free liquidity to finance a sustainable dividend and strategic investments in new markets and products.

Content

Hartmut Müller
Chief Executive Officer

Dear Sir or Madam,

looking back on 2011, it was a year characterized on the one hand by a further recovery of our markets in Germany and abroad, but on the other by the debt crisis in Europe and the United States. Despite the resulting uncertainties and a very volatile exchange rate environment, GRAMMER Group has successfully maintained its growth trajectory. After an increase of 18 percent, revenue has once again surpassed the billion mark for the first time since 2008, setting a new record at EUR 1.1 billion. And operating profit also set a new record in 2011. Although sometimes severe volatility in commodity and currency markets were not without effect on our earnings situation, earnings before interest and taxes (EBIT) was 50 percent higher at EUR 49 million.

Particularly pleasing for me is that, for the first time since 2008, GRAMMER will again ensure that shareholders participate in the success of the Company by paying a dividend. At the Annual General Meeting on May 23, 2012, the Executive and Supervisory Boards will propose payment of a dividend in the amount of EUR 0.40 per share for the 2011 fiscal year. The re-alignment of GRAMMER Group over the past few years paved the way for a return to our traditional status as an attractive dividend paying stock.

In the Automotive division, the main impetus last year came from the premium segment and the sustained strength of German car exports. We saw especially gratifying development in center console business. Within only a few years, GRAMMER has gone from newcomer in this area to a trusted and innovative tier 1 supplier. Our goal is to double center console revenue by 2016, building on existing orders and new projects.

In our second division, Seating Systems, the offroad segment has contributed substantially to our positive earnings performance. In order to strengthen our technological leadership, we acquired the Belgian electronic specialist EiA Electronics in July 2011. This high-tech company specializes in development, integration and distribution of electronic components for commercial vehicles. With this new addition to the GRAMMER family, we will be able to integrate displays, consoles, control elements and communication modules into our seats and offer customers individualized solutions for their vehicle cabs. Thus, the acquisition of EiA Electronics marks an important step in our corporate strategy to accomplish the extension of the value chain and targeted expansion of our know-how in electronics.

Moreover, the start of production for our new generation truck seats in Europe and the US marks another important milestone of our growth strategy in the commercial vehicle segment and substantially strengthens our competitive position in markets worldwide.

In order to further improve the efficiency of our research and development (R&D) activities, we intend to soon begin construction of a new R&D center. It will play an important role in securing our continued technological and innovative leadership. At the R&D center, our engineers will not only develop new and innovative products or research new materials such as hybrids. They will also work to advance innovative manufacturing processes, like laser welding or gas injection molding. At the same time, our local R&D centers in China, Turkey, Brazil and the US will adapt our existing product and basic developments to the specific requirements of their countries and customers. In this way, we will be able to be competitive with local suppliers. It will also allow us to keep pace internationally with the global players in the industry.

The investments in the future that have yet to be made at our home location have already been completed in other locations. For instance, we have completed expansion of the Tachov plant in the Czech Republic to equip it for final assembly and distribution of our new generation MSG 115 truck seats. The major metal components for the seat are sourced from our Haselmühl plant near Amberg, where we have made targeted investments in new process technologies and production systems. Our investments totaling more than EUR 5 million serve to expand and optimize our core competencies in metal production at the Haselmühl location.

GRAMMER also reached important milestones on the financial front in 2011. Our equity base was strengthened and the balance sheet structure improved through the successful 10 percent capital increase in April. And, in summer, we completely restructured our financial liabilities. An existing syndicated loan agreement was redeemed early and replaced with a debenture bond issue at considerably better conditions. This gives us the financial flexibility for further organic and external growth.

By accomplishing these key goals, GRAMMER has gone a long way towards ensuring sustainable success and readying us to take on the coming challenges. Investments in new markets and products, along with strategic and operational measures aimed at restructuring GRAMMER Group over the past several years are now paying off, as well as improving our competitive position and earnings strength. GRAMMER will continue to pursue this successful strategy through targeted investment in new markets and innovations.

In addition, we now have to focus on future challenges and realize our immense growth potential – especially in Asia and America. To this end, we are working to strengthen our local presence and looking into regional partnerships in China, India, Russia and the US in order to further reduce dependence on single markets and regional economic conditions, as well as better offsetting the effects of economic and market swings.

A primary focus in 2012 will be on achieving even greater profitability and optimizing cash flows. This will ensure that adequate liquidity is always available for attractive dividend payments and further reductions in bank liabilities, as well as for financing of strategic acquisitions.

We would like to thank all of our shareholders and customers for the trust they have placed in us, along with our employees for their high degree of commitment and motivation. In 2012, we look forward to continuing our work together for the successful future of GRAMMER.

Sincerely

Hartmut Müller
Chief Executive Officer of GRAMMER AG

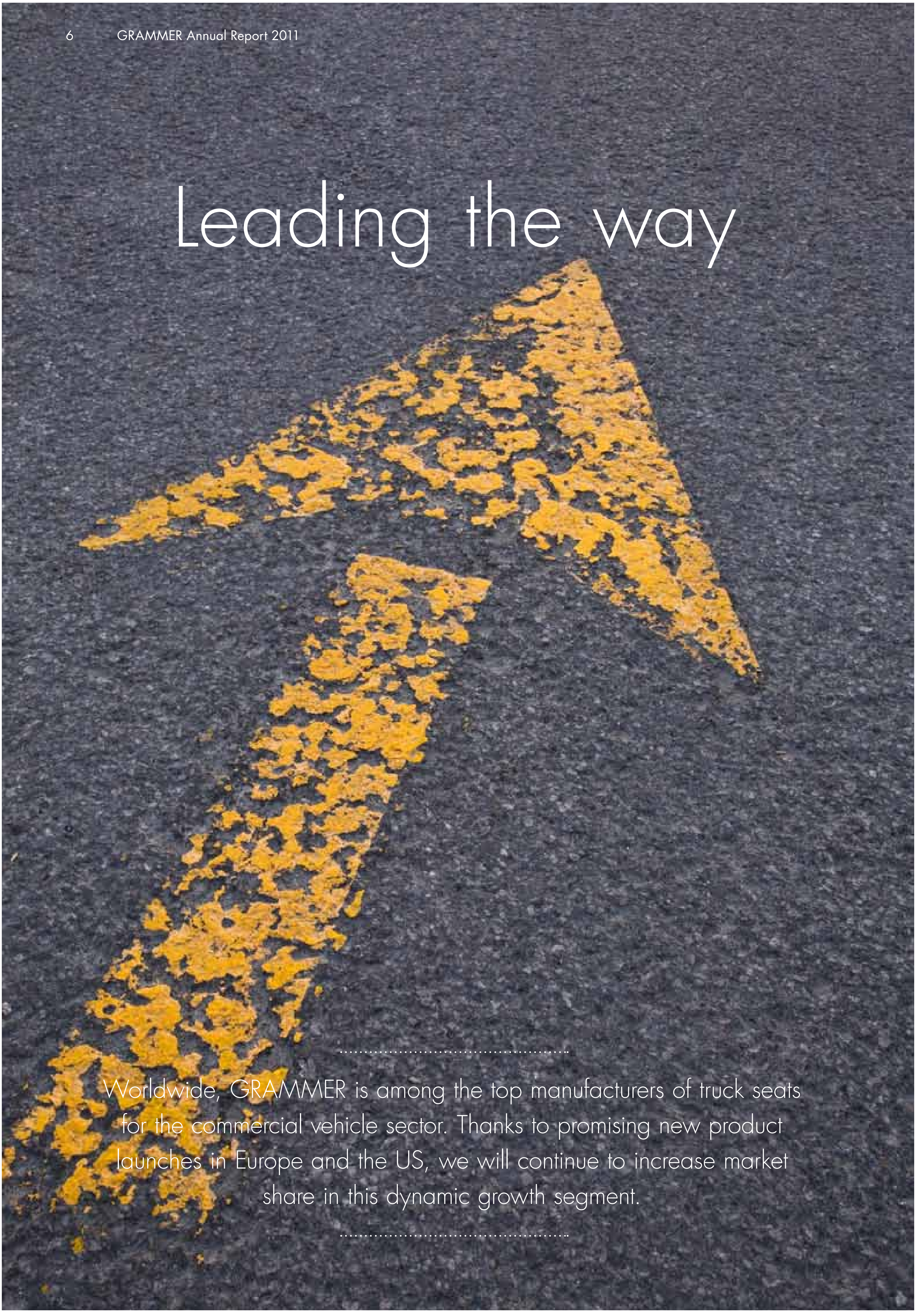
Executive Board

from left to right

Manfred Pretscher
Member of the Executive Board since August 2010
Purchasing/SCM, Operations, Operations Performance Management, Human Resources

Hartmut Müller
Chief Executive Officer since August 2010
Member of the Executive Board since 2007
Strategic Product Planning, Internal Control, R&D, Legal, IT

Alois Ponnath
Member of the Executive Board since 2000
Central Services, Investor Relations, Communications & Marketing,
Quality Management & Systems, Sales & Projects



Leading the way

Worldwide, GRAMMER is among the top manufacturers of truck seats for the commercial vehicle sector. Thanks to promising new product launches in Europe and the US, we will continue to increase market share in this dynamic growth segment.

Redefining ergonomics and comfort

Leading supplier of seating systems

Everywhere that people drive in their vehicles, our innovations provide maximum of safety, comfort and ergonomics. This customer-led focus is the key to our leading market position in commercial vehicles and passenger seating worldwide. Modular seat construction also allows fast adjustment to market demands and individual needs.

On board with leading truck manufacturers

The newly developed MSG 115 suspended seat offers unmatched comfort. Horizontal vibrations and shocks are optimally absorbed through the seat's fore/aft isolator, while the nine-way adjustable shock absorber provides additional suspension comfort. The pneumatic lumbar support further improves sitting posture, with two individually inflatable chambers and side contour adjustments. The seat is ventilated to prevent a buildup of heat and moisture. The MSG 115 even offers height-adjustable neck and shoulder supports. The quality of this new generation GRAMMER seat has impressed leading truck manufacturers: It is a standard feature in both the new Actros from Daimler and in cabs of another European truck manufacturer.

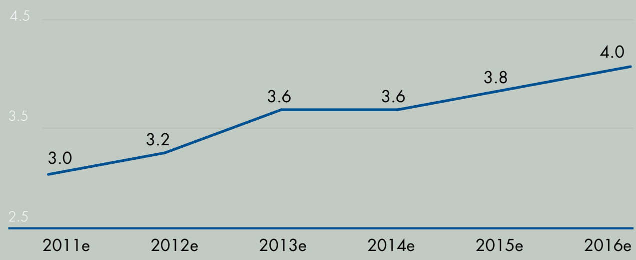
US truck makers also put their trust in GRAMMER

In the 4th quarter of 2011, GRAMMER – alongside joint venture partner, Magna Seating – achieved a major success in the US truck market. Truck maker, Paccar, chose the GT700 seat series for its premium vehicles Kenworth T700 and Peterbilt 587. The GT700 was developed especially for these models, to meet the specialized needs of the drivers. It offers a full range of options and functions, including a state-of-the-art pneumatic suspension system that automatically adjusts to the weight of the driver.

3.0 million trucks

A total of 3.0 million heavy trucks were produced in 2011.

Worldwide production heavy trucks 2011–2016 (in millions of units)



Source: J. D. Power

Strengthening our market position

Successful launch of production for the new generation truck seats marks an important milestone in our growth strategy, while strengthening our market position in Europe and the US. Already today, truck seats have become a source of considerable impetus for our business performance. With our new generation of seats, we will realize our full growth potential over the coming years and significantly improve our competitive position internationally.

A milestone in seating technology: The new MSG 115 suspended seat from GRAMMER.

Paving the way

GRAMMER is the technology leader in suspended seats for agricultural, forestry, construction machinery and forklifts and has been pioneering the field since introduction of the first pneumatic suspension seats more than 30 years ago.

Leading expertise – on and offroad

Solidly in the driver's seat

In the offroad segment, extreme operating conditions place the highest of demands on both vehicle and driver. As the principle interface between man and machine, the driver's seat has a decisive influence on the work environment. Especially vehicles that have no suspension or are only partially equipped with suspension components, such as tractors, forklifts or construction machines require robust, shock-absorbing seat suspension. That's why, as an innovation leader and trend-setter for seating systems, GRAMMER is focused on biomechanics, shock and vibration reduction, user-friendly operation and seat climate control.

Seats with integrated control modules

The next step in strengthening our competitive position has already been undertaken. With the acquisition of Belgian electronic specialist EiA Electronics in the summer of 2011, the foundations have been laid for strategic expansion of the product range.

EiA Electronics strengthens our technological base and will allow GRAMMER to pursue targeted expansion of our leadership in innovation. The combination of electronic and ergonomic components marks the first time that a leading seat manufacturer is in a position to offer customers integrated and customized solutions for optimum design of driver workplaces.

Winners put their trust in GRAMMER

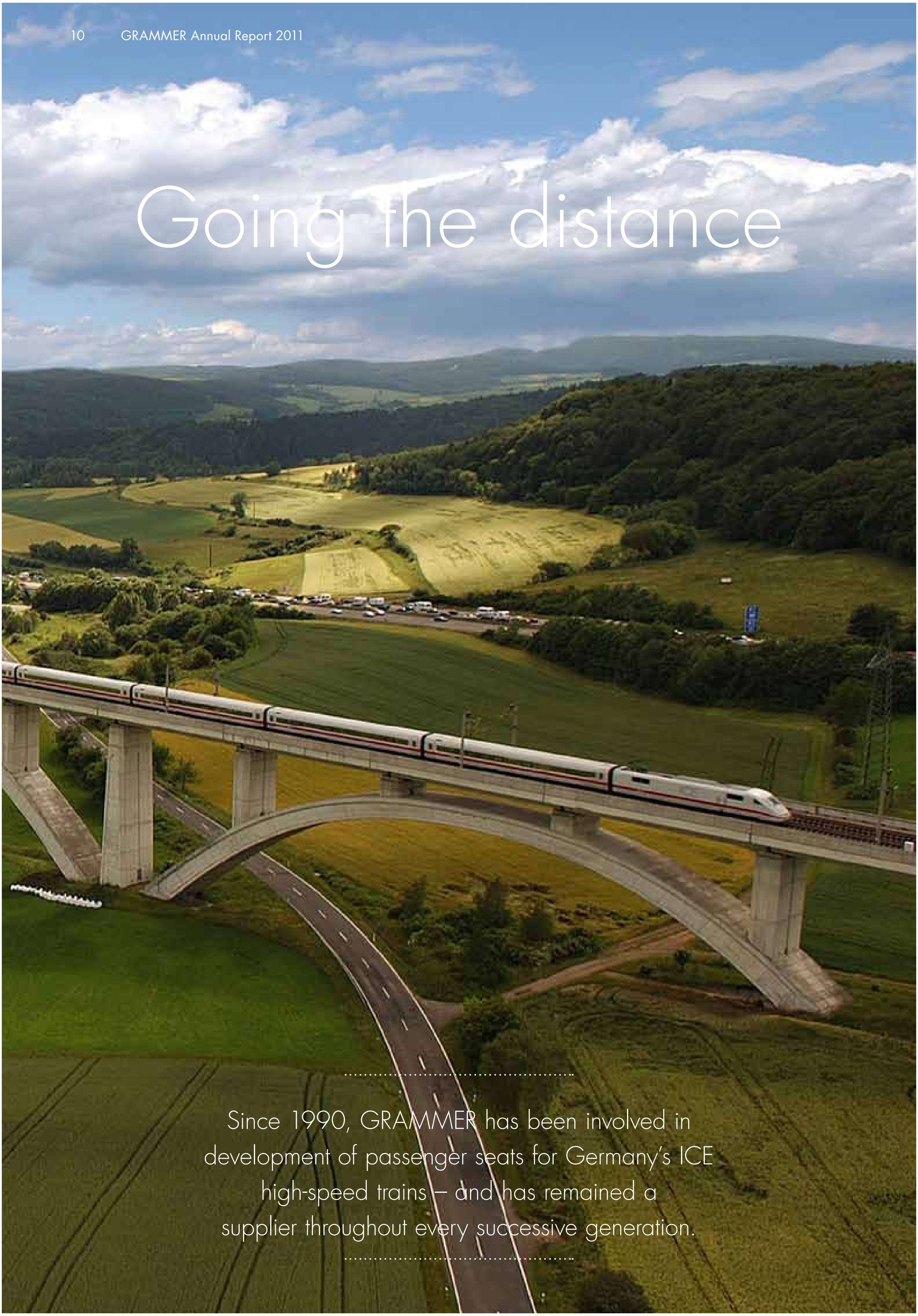
At the world's largest agricultural machinery trade fair, Agritechnica, the editors from dlv (Deutscher Landwirtschaftsverlag) present awards every 2 years for the best innovations in agricultural machinery. All of the 9 award-winning self-propelled models that took the "Machines of the Year" award in 2011 were equipped with driver seats from GRAMMER. There is no better reflection of our outstanding market position in seating systems for offroad vehicles. The competence built up successively over the past half century in the area of high-end seating systems for agricultural machines is the basis for this success. With our uncommonly broad range of products, we offer the optimum seat for every type of machine – from tractors to harvesters.

Evolution in suspension comfort: Active, electronic suspension controls reduce the effects of shocks and vibrations to a minimum.

Unrivaled selection

As a trend-setter and innovation leader, GRAMMER offers seating systems with optimum suspension and seating comfort for any type of vehicle.

Going the distance



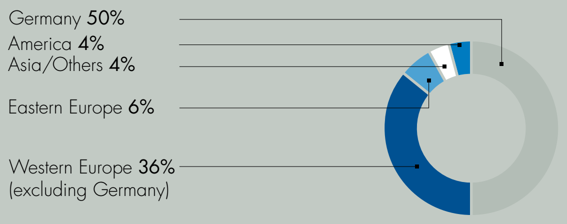
Since 1990, GRAMMER has been involved in development of passenger seats for Germany's ICE high-speed trains – and has remained a supplier throughout every successive generation.

In the lead at every turn

Comfortable travel

GRAMMER has been developing driver and passenger seats in the railway segment for more than 20 years. The product range covers the full spectrum of rail applications, and is characterized by ergonomic comfort, quality and design. As a supplier of passenger seats for all three ICE generations, GRAMMER seats make rail travel in Germany an incomparably comfortable experience. But Germany isn't the only place that passengers can enjoy such incredible seating comfort. Our systems are used in a variety of market segments around the world: From local subway and commuter rail services, to suburban and regional railways, long-distance trains and high-speed services such as the Transrapid. This complete product range makes GRAMMER a competent partner in the railway segment.

Revenue by region



Immense potential in Asia

Railway network is set to grow significantly in the coming years, especially in Asia. As one of the leading manufacturers of train seats, we aim to participate in this growth. Already today, China is the world's second-largest market for rail vehicles. The focus of investments in the country is on expansion of the high-speed rail network and, as urbanization continues to increase, regional rail services and subway systems.

There are also promising opportunities opening up in countries like Ukraine or Russia, where investment demand has been pent up severely over the past decades. GRAMMER's core market, however, continues to be Europe, where more than three-fourths of revenue in the railway segment was generated in 2011.

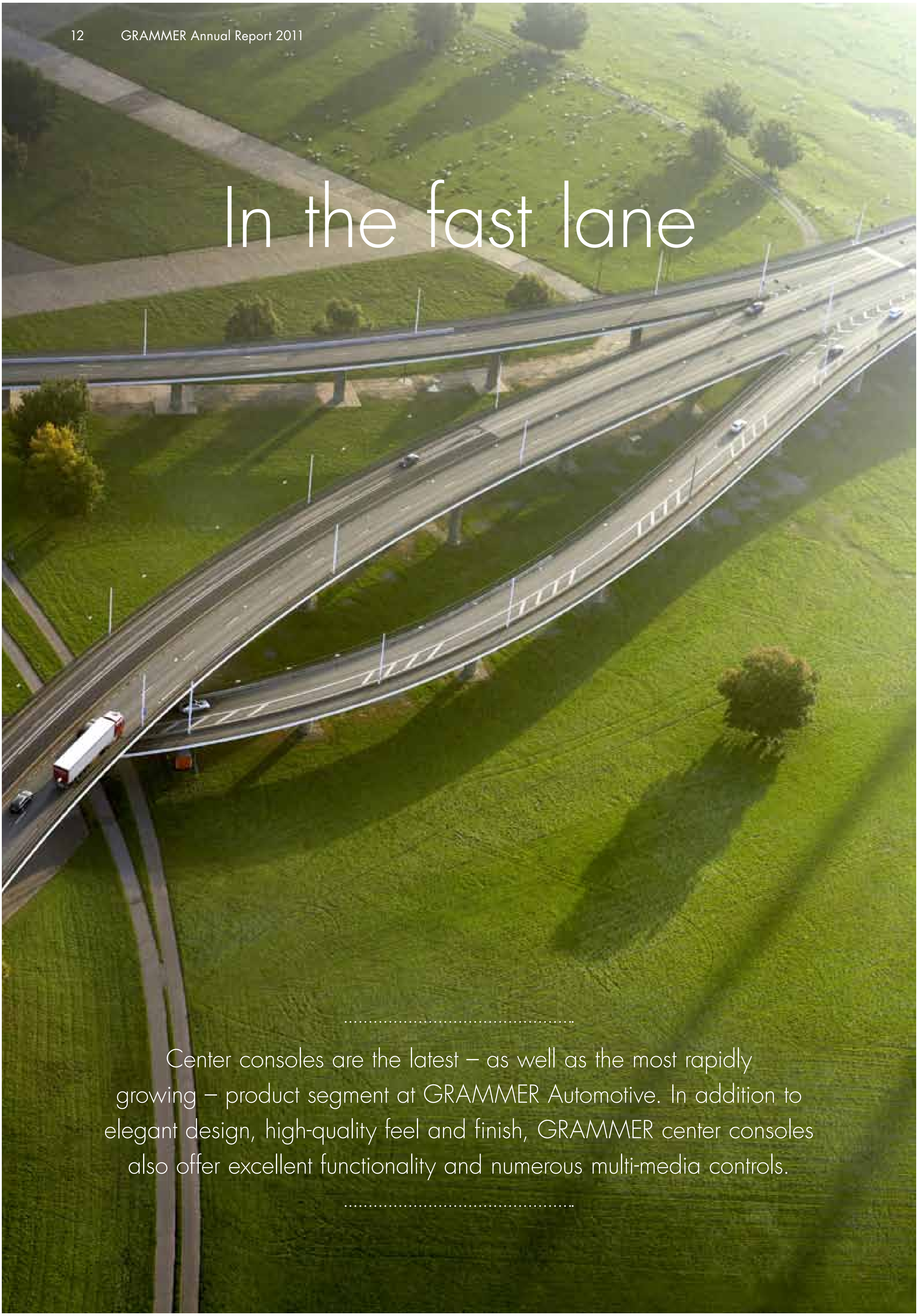
Premium train seats

We received the coveted recipient "red dot design award" for the passenger seats of the Austrian National Railway. These premium seats set the bar for design and comfort. Top-quality manufacturing and robust materials make them a prime example of "design for use". The seats can be intuitively adjusted by the passengers and control elements are ergonomically situated. The trademark "ergomechanics® inside" shows that the latest scientific findings from the fields of seat ergonomics and biomechanics and more have gone into development of the seats.

220,000

In 2010, GRAMMER's ICE passenger seats were used by nearly 220 thousand people every day.

Highly comfortable at high speeds: GRAMMER's ICE seats offer the perfect blend of ergonomics and first-class features.



In the fast lane

Center consoles are the latest – as well as the most rapidly growing – product segment at GRAMMER Automotive. In addition to elegant design, high-quality feel and finish, GRAMMER center consoles also offer excellent functionality and numerous multi-media controls.

From newcomer to trusted partner

Targeted investments in development, production and logistics

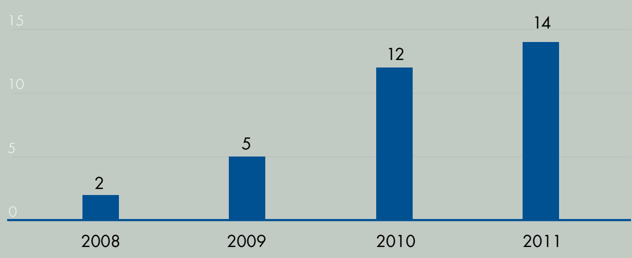
In the center consoles product segment, which was only launched in 2004, we have built a reputation very quickly as an innovative and reliable tier one supplier of automotive interiors. This achievement was only possible through systematic expansion of development, production and supply chain capacities. The high number of options for the various models and features requires a logistic concept tailored to individual customer needs. GRAMMER's perfectly harmonized procurement, manufacturing and logistics planning enables us to supply interior systems worldwide just-in-time or even just-in-sequence.

Focus on innovation

With our consistent focus on innovation in products and processes, GRAMMER is following through with its growth strategy in center consoles. At our 3 development centers in Amberg (Germany), Troy (USA) and Shanghai (China), our engineers work on these solutions within our group-wide R&D network. For example, we have begun to use the mono-sandwich process for production of center consoles, which makes it possible to manufacture a high-quality center console with a modern design at reasonable cost. An important strategic improvement in this area will be the integration of electronic components into the center consoles.

GRAMMER center consoles: functionality and elegant design.

Passenger cars with GRAMMER center consoles (number)

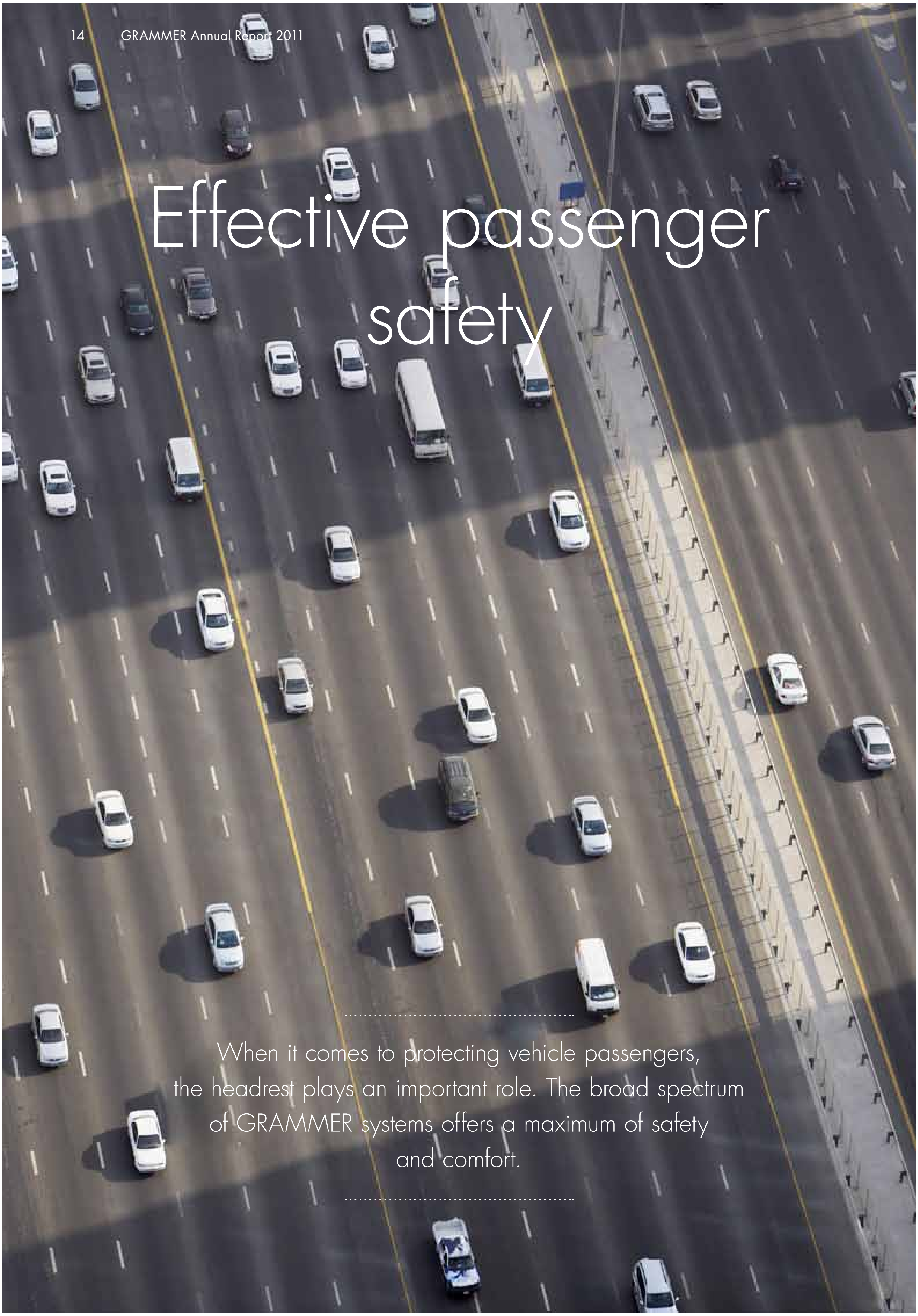


In the fast lane: More and more passenger cars are equipped with GRAMMER center consoles.

Significant growth potential in the coming years

The fact that GRAMMER center consoles offer the right blend of design and functionality can be seen in the number of new orders and the development of revenue in the segment. Our goal is to double center console revenue by 2016, building on existing orders and new projects.

An important factor for outstanding driving comfort: GRAMMER center consoles.



Effective passenger safety

When it comes to protecting vehicle passengers, the headrest plays an important role. The broad spectrum of GRAMMER systems offers a maximum of safety and comfort.

Intelligent answers to safety

Active and sensitive

Even something as simple as the headrest, a product that has been in the market for decades, can be targeted for improvement. And this is just what we have done, with an innovative model that combines active support with sensor technologies. The crash active head restraint system has the advantage over static headrests that, in the event of an accident, it moves forward at several centimeters in the blink of an eye in order to prevent uncontrolled backward acceleration of the head.

The crash active module is triggered in a rear-end collision by compression springs or pyrotechnic charges, thus significantly reducing the likelihood of injury to the cervical spine. Under normal conditions, however, the headrest maintains a sufficient distance from the back of the head and offers optimum seating comfort. This is yet another proof that GRAMMER innovations bring more quality and safety to mobile people.

55 ms

Active support combined with lightning fast sensor technology – within milliseconds, the headrest snaps forward several centimeters to effectively reduce head impact.

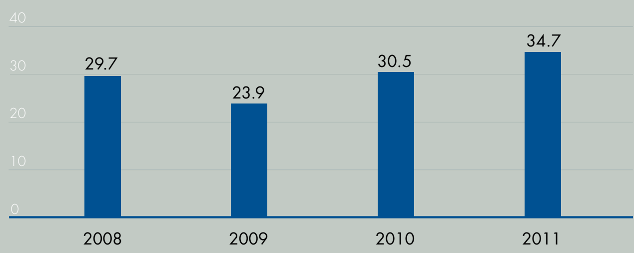
Improvement of passive systems

Due to higher costs, crash active systems are generally only included in upper medium and premium vehicles. Consequently, we have also developed a passive system with similar safety characteristics – the horizontaly adjustable headrest. With simple manual or electric adjustment in the horizontal plane, it can be moved to the ideal position to protect the head of the passenger, thus also effectively reducing the likelihood of whiplash injuries.

Objective: Cost leadership

Headrests, are so-called me-too products, which can be manufactured by suppliers throughout the world. In order to thrive in this tough competitive environment, GRAMMER aims to achieve cost leadership. This will be accomplished though increased reliance on our sewing centers in low-cost regions, as well as a focus on standardized products and modular component systems for headrest mounts and mounting rods.

Headrests produced by GRAMMER (in million units)



Head protection is among the most important factors in car passenger safety. GRAMMER headrest systems: innovative technology, state-of-the-art safety.

The long haul

The groundwork has been laid for sustainable success. Now, it is time to concentrate on future challenges and realize our growth potential – especially in Asia and America.

Investments in growth markets

The growing importance of China and America

Traditionally, GRAMMER have had its strongest footing in Europe. This is where we generate at least half of our revenue, and where we have optimized 2 of our major manufacturing sites by investing in truck seat production (Tachov/Czech Republic) and metal production (Haselmühl/Germany). But, as market leader in many segments, we are stepping-up our search for growth opportunities outside of Europe. For instance, in China, which has developed into the world's second-largest car market and is taking on a dominant position with respect to commercial vehicle demand. We have had a presence there for more than 10 years, and intend to expand our footprint in the coming years. America also holds great potential, which we will further develop going forward. This applies equally to automotive interiors for local carmakers, our new generation of truck seats and penetration of new markets in offroad business.

Local presence is a key to success

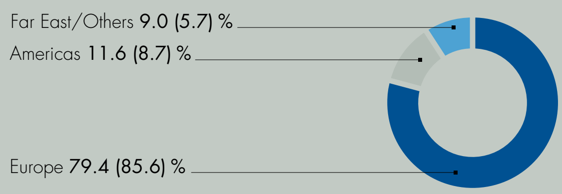
As a global player in the automotive and commercial vehicle segments, we have locations across 4 continents in 24 fully consolidated companies with more than 30 production and distribution centers in 18 countries – a local partner to all of our customers. This is the only way to maintain active customer relations. It also allows project, engineering and sales teams to coordinate quickly and communicate directly with customers. A milestone in our long-standing commitment in Asia was the setup of our Shanghai production site in 2009. In China, we now have a total of 3 production locations.

In North America, from our plants in Mexico and the sales and engineering offices in Troy/Michigan and Greenville/South Carolina, we are able to serve the entire North American automotive market. In the commercial vehicle market, we work together with our long-standing partner, Magna, via the joint venture GRA-MAG. Our Hudson/Wisconsin location serves the North American offroad market. GRAMMER intends to penetrate this segment and additional markets via new, individualized products and customer solutions. In South America, our long-standing plant in Atibaia near Sao Paulo guarantees our leadership in truck and offroad seats within this key region for GRAMMER.

Greater independence through regional partnerships

Successful implementation of the projects we have been awarded in the US and China will result in further localization of production capacities and new plant construction. 2 of the measures in planning are a new location in the US and another plant in China. At the same time, we are looking into regional partnerships in China, India, Russia and the US. This will further reduce the risk of dependence on single markets and regional economic conditions, as well as better offsetting the effects of market swings.

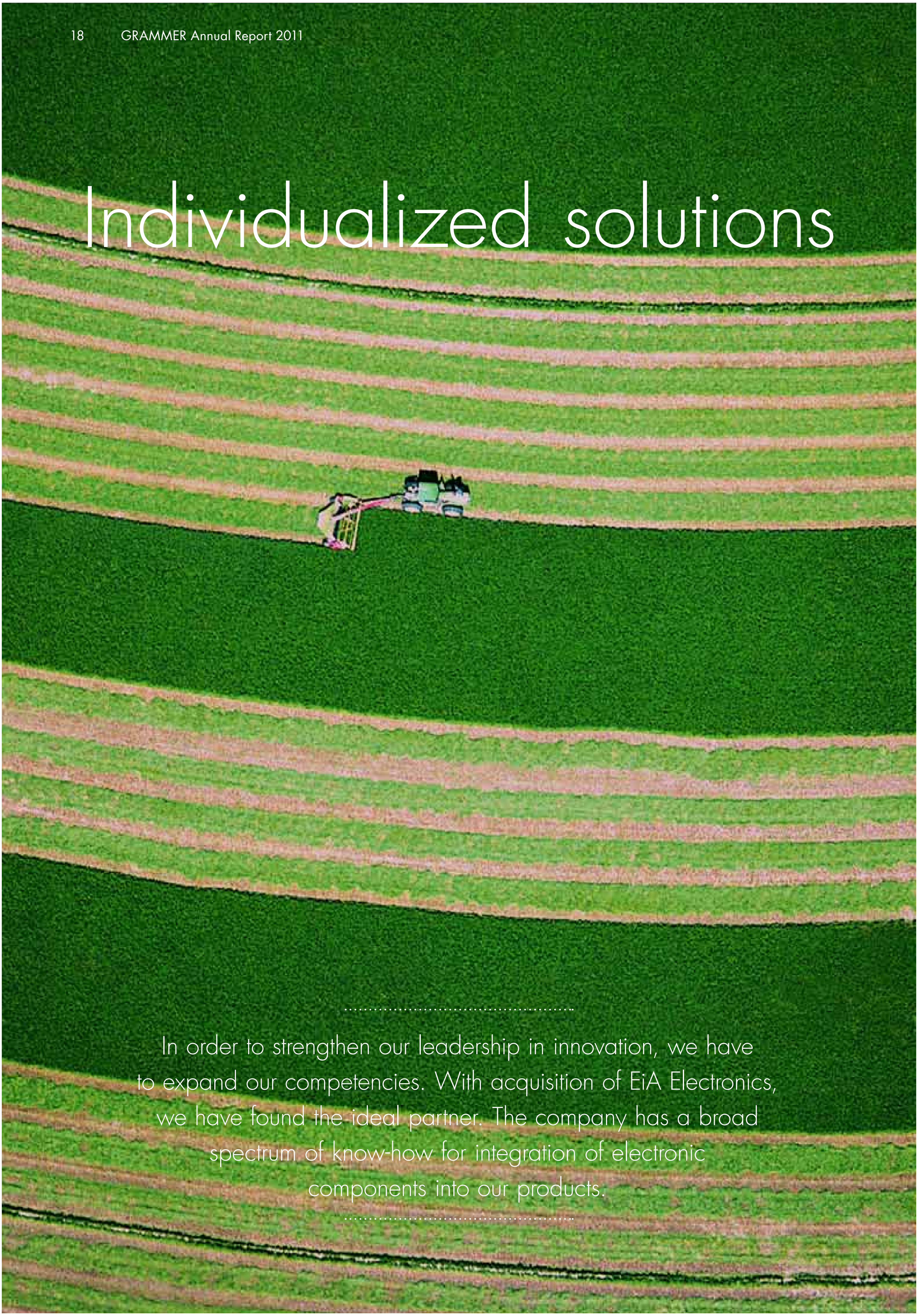
Investments by region (previous year in bracket)



30 locations

GRAMMER is positioned throughout the world as a global partner to the car and commercial vehicle industries.

Individualized solutions



In order to strengthen our leadership in innovation, we have to expand our competencies. With acquisition of EiA Electronics, we have found the ideal partner. The company has a broad spectrum of know-how for integration of electronic components into our products.

Seats with integrated control modules

Two specialists that ideally complement each other

GRAMMER dominates the seating systems market for offroad vehicles, such as agricultural and construction machinery or forklifts. EiA Electronics has also been active in this market segment for many years. The Belgium-based company is a development and distribution partner for individualized customer solutions, and has been selling displays, controls, consoles, control levers and communication modules, as well as intelligent sensors for more than 20 years.

Focus on offroad business

Through the acquisition of EiA Electronics in the summer of 2011, we are systematically pursuing our corporate strategy of extending the value chain. This makes sense given that agricultural and construction machinery customers were already using EiA technologies as separate components with selected GRAMMER products. We now have the technological expertise to integrate electronic sensors and controls in-house. This makes us the first leading seat manufacturer to offer customers complete seating systems with matching control elements. Our product development activities are currently focused on offroad commercial vehicles, where we are strengthening our leading position in suspended driver seats with the combined product range of EiA Electronics and GRAMMER. Our goal is to begin offering the first jointly developed products in the coming months.

100% electronic

New member of the family: GRAMMER EiA Electronics has roughly 50 employees and generated revenue of approximately EUR 27 million in 2011.

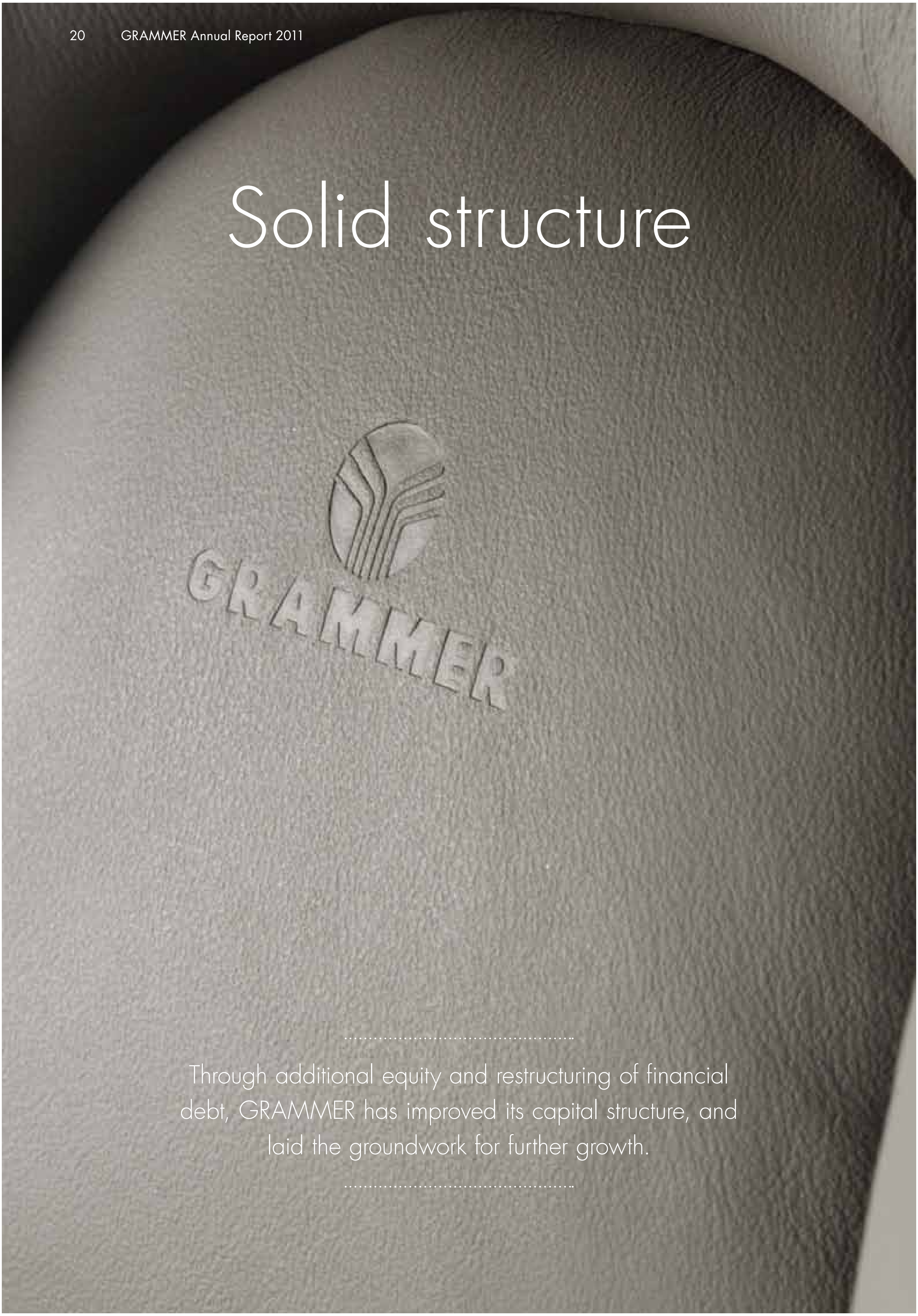
Untold possibilities

As the next step, EiA know-how will then be used for innovative solutions in the truck and automotive markets. An important strategic advance for the Automotive division will be the integration of electronic components into the center consoles. In this area, a further strategic investment or partnership may come about.



GRAMMER EiA Electronics specializes in development, production and distribution of individualized electronic solutions for offroad vehicles.

Solid structure



Through additional equity and restructuring of financial debt, GRAMMER has improved its capital structure, and laid the groundwork for further growth.

Renewed financial strength

Successful capital increase

In order to raise fresh capital, GRAMMER implemented a capital increase in April 2011. The 10-percent increase in share capital yielded EUR 19.1 million, with 1.05 million new shares placed. Demand was high among institutional investors in Germany and other European countries. The proceeds from the issue serve to improve the Company's balance sheet, as well as creating additional scope for organic and external growth.

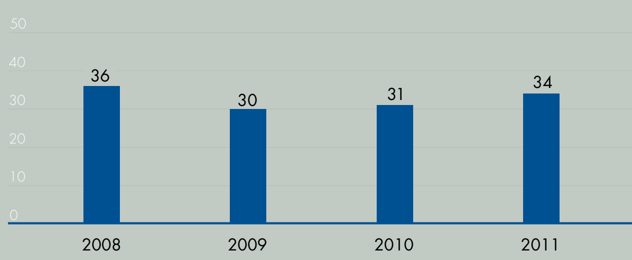
Improved cost structure and cash flow

For GRAMMER, 2011 was extremely successful in terms of both revenue and earnings. But, we can and will make the Company even more profitable. To do so, we must continue to optimize cost structures and increase our competitive position. The aim is greater profitability throughout the Group. One focus in this respect is on improving free cash flow (liquidity available after investments). This will ensure that adequate liquidity is always available for attractive dividend payments, as well as further reduction of bank liabilities and financing strategic acquisitions.

Financial liabilities restructured

The capital increase was just one step taken as part of our new financing strategy. In August 2011, GRAMMER also issued a EUR 60 million debenture bond, along with early prolongation of a EUR 9.5 million tranche of the existing debenture bond and a new global credit facility totaling EUR 78.5 million, to replace the EUR 110 million syndicated loan agreement that was set to expire in March 2013. The new conditions represent a significant improvement over the existing syndicated loan agreement. At the same time, we expanded our creditor base and significantly aligned the maturities of liabilities.

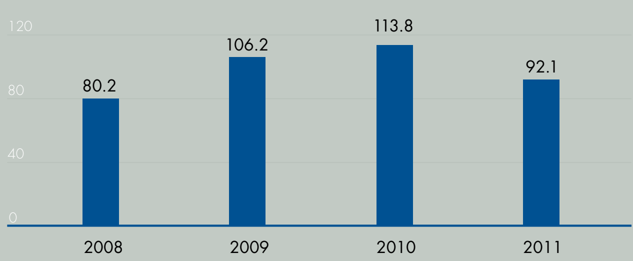
Equity ratio (in %)



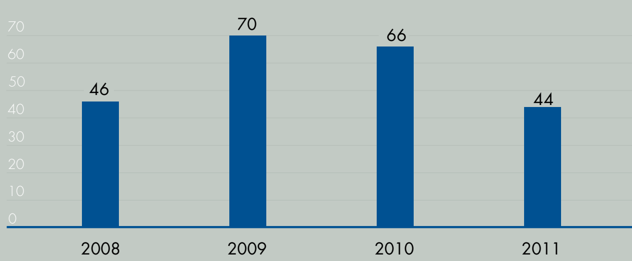
EUR 19.1 million

In April 2011, GRAMMER placed 1.05 million new shares with a gross proceeds of EUR 19.1 million.

Net financial debt (in EUR m)



Gearing (in %)



Corporate Governance Report and Statement in accordance with section 289 a of the German Commercial Code (HGB)

Declaration of Compliance

On December 6, 2011, the Executive and Supervisory Boards of GRAMMER AG issued the following declaration in accordance with section 161 of the German Stock Corporation Act on compliance with the German Corporate Governance Code (GCGC).

> In accordance with section 161 of the German Stock Corporation Act (Aktiengesetz – AktG), the Executive and Supervisory Boards of GRAMMER AG hereby affirm their past and future compliance with the recommendations of the German Corporate Governance Code, in the version dated May, 26 2010 and published in the electronic Federal Gazette on July 2, 2010, with the following exceptions:
>
> The Annual General Meeting of GRAMMER AG resolved on May 26, 2011, at the proposal of the Executive Board and Supervisory Board of GRAMMER AG that the remuneration for members of the Supervisory Board is restructured as of fiscal year 2011 and – in deviation from the recommendation under item 5.4.6 paragraph 2 GCGC – to eliminate the variable remuneration component for service on the Supervisory Board.
>
> The Executive and Supervisory Boards of GRAMMER AG are of the opinion that payment of a commensurate fixed salary and elimination of the variable component for members of the Supervisory Board underlines the independence of the Supervisory Board and better serves to prevent potential conflicts of interest in regard to its decisions, and that a salary based purely on membership in the Supervisory Board is better suited to the monitoring function of the members.

GRAMMER AG maintains voluntary compliance with the recommendations of the GCGC, with the following exception:

- Presently, the GRAMMER AG Annual General Meeting cannot be viewed via modern communication media (e.g. Internet).

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

Relevant information on management practices outside the scope of statutory requirements

The Code of Conduct in effect within GRAMMER Group is a binding guideline for the legal and responsible conduct of all employees worldwide. It contains rules governing the conducting of business at GRAMMER and sets high ethical standards. In addition to the Code of Conduct, GRAMMER AG has issued additional explanations and specifications of the rules and offers web-based training to support employees with compliance and implementation. The Company ensures that all employees have access to specialist-support for questions pertaining to the Code of Conduct. This "Code Team" assists in the rectification of violations of the code, and works to pursue instances of improper conduct.

Description of the work processes of the Executive and Supervisory Boards and of the membership and methods of the Supervisory Board committees

As a stock corporation under German law, GRAMMER AG has a dual management system comprising the Executive Board and Supervisory Board, each of which has distinct competencies. In the context of management and monitoring of the Company, the Executive and Supervisory Boards of GRAMMER AG work together in a close and trusting relationship. Management of GRAMMER AG is carried out by the Executive Board on the basis of statutory guidelines and the rules of procedure defined by the Supervisory Board. The Executive Board is advised and monitored by the Supervisory Board. The members of the Executive Board are appointed by the Supervisory Board, which has approval power over material business transactions.

Supervisory Board

The twelve members of the GRAMMER AG Supervisory Board in accordance with German law and the Company's Articles of Association include six shareholders and six employee representatives. All members of the Supervisory Board, elected by the Annual General Meeting are independent persons, having no business or personal relationships with the Company or the Executive Board.

The following members Mr. Udo Fechtner, Dr. Bernd Blankenstein and Mr. Frank Himmelhuber left the Supervisory Board in 2011. To succeed them, the following people were court appointed as members of the Supervisory Board: Mr. Martin Bodensteiner, Ms. Ingrid Hunger and Mr. Harald Jung. All employee representatives in the Supervisory Board have been elected until conclusion of the Annual General Meeting in 2015. The Supervisory Board will nominate Ingrid Hunger for election to the Supervisory Board at the 2012 Annual General Meeting. The term of office of

Dr. Peter Stehle ends upon conclusion of the Annual General Meeting in 2013. The remaining members were elected by the shareholders until conclusion of the Annual General Meeting in 2015.

The Supervisory Board advises and monitors the Executive Board in matters relating to management of the Company. The Supervisory Board is involved in strategy and planning, as well as in all issues that are of key importance to the Company.

The Supervisory Board of GRAMMER AG performs its duties in accordance with its own rules of procedure. The Supervisory Board report provides detailed information on the activities of the Board as well as its cooperation with the Executive Board.

The Supervisory Board appoints and discharges the members of the Executive Board. When filling vacant seats on the Executive Board, the Supervisory Board ensures the professional qualifications, international experience and leadership quality of the candidate, as well as maintaining a view to diversity and, in particular, adequate consideration of female candidates. The Supervisory Board will therefore emphasize inclusion of qualified female applicants in the selection process and adequate consideration of these applicants when next there is a vacancy to be filled on the Executive Board.

The Executive and Supervisory Boards of GRAMMER AG are obliged to act in the interest of the Company. Conflicts of interest on the part of Supervisory Board members must be disclosed to the Supervisory Board. No conflicts of interest were identified among the members of the Supervisory Board in fiscal year 2011.

Supervisory Board's efficiency review

The Supervisory Board regularly conducts a review to evaluate the efficiency of its activities. At the September meeting of the Supervisory Board, critical issues and proposals for improvement were discussed and measures adopted to increase efficiency.

Objectives of the Supervisory Board with regard to its composition

During fiscal year 2010, the Supervisory Board adopted a set of objectives, the status of which was reviewed in 2011:

- With the court appointment of Ms. Ingrid Hunger as shareholder representative on the Supervisory Board of GRAMMER AG, there are now two women serving on the Board.

- At the March 2011 meeting, the Supervisory Board created and adopted a qualification profile, in the context of which the members were surveyed with respect to the knowledge, skills and professional experience necessary for proper performance of their functions as a basis for qualification of future Board members.

The Supervisory Board also adopted measures in support of autonomous training and continuing education measures.

Supervisory Board Committees

The Supervisory Board of GRAMMER AG has formed four committees: the Strategy Committee, the Audit Committee, the Standing Committee and the Nominating Committee. The work of the committees is based on the rules of procedure of the Supervisory Board. The Audit Committee has its own rule of procedure. The Audit Committee meets at least once each quarter. The remaining committees meet as needed.

The composition of the Supervisory Board and its committees is outlined on page 26. Remuneration of the Supervisory Board is explained on page 42 f.

Executive Board

The Executive Board of GRAMMER AG comprises three members: Mr. Hartmut Müller, Chief Executive Officer of GRAMMER AG, Mr. Alois Ponnath and Mr. Manfred Pretscher. The Executive Board bears joint responsibility for managing the business of the Company. Rules of procedure govern their individual responsibilities and internal cooperation. In accordance with the applicable rules of procedure, certain decisions by the Executive Board require the approval of the Supervisory Board.

At regular meetings, the Executive Board provides the Supervisory Board with prompt and comprehensive information, verbally and in writing, about current business developments and management issues. 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 Executive Board members of GRAMMER AG are obliged to act in the interest of the Company. Conflicts of interest on the part of the members of the Executive Board must be disclosed immediately to the Supervisory Board and the other members of the Executive Board. No conflicts of interest were identified among the members of the Executive Board in fiscal year 2011.

The Executive Board already decided in August of 2010 to achieve a 15 % quota of women in top management and 20 % in middle management by 2015, and presented a corresponding strategy for doing so. The current status of these objectives were discussed at the December meeting of the Supervisory Board.

The composition of the Executive Board is explained on page 108 f. Remuneration of the Executive Board and an explanation of the remuneration system are presented in the remuneration report on page 42 f.

Ownership of shares
Members of the Executive and Supervisory Boards, along with all other employees having management duties, are obliged in accordance with section 15a 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 associated with the above group. In the reporting year, no such transactions were disclosed to GRAMMER AG.

On the balance sheet date of December 31, 2011, members of the Executive Board and the Supervisory Board directly or indirectly held less than 1.0% of the Company's shares. This also takes into account shares owned by persons closely associated with members of the Executive and/or Supervisory Board within the meaning of section 15a (1) sentence 2 WpHG.

Relationships with our shareholders and investors

Relationship with our shareholders
The shareholders of GRAMMER AG exercise their rights of co-determination and control in the context of the Annual General Meeting. All matters mandated by law are voted on by the Annual General Meeting, with binding effect for the shareholders and the Company; each share accords one vote. Among the tasks assigned to the Annual General Meeting by law are deciding on the appropriation of net retained profit, approval of the actions of the members of the Executive Board and Supervisory Board, appointment of auditors, election of the members of the Supervisory Board and decisions about amendments to the Articles of Association. The Annual General Meeting also serves as a platform for dialogue between shareholders and members of the Executive and Supervisory Boards.

After timely registration and presentation of evidence of share ownership, all shareholders have the right to attend and exercise voting rights at the Annual General Meeting. Absent shareholders may exercise their voting rights by proxy through an authorized representative with full power of attorney or a voting representative subject to shareholder instructions. Moreover, GRAMMER AG permits shareholders to vote by absentee ballot.

The invitation to the Annual General Meeting, as well as reports and information necessary as background for voting, are published by GRAMMER AG in accordance with the German Stock Corporation Act. This information is also available on the Company website www.grammer.com.

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 and Supervisory Boards are committed to the continuing improvement of communication, in order to ensure comprehensive and transparent information of the public.

At the website 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 Compliance with the German Corporate Governance Code, information about the Executive 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 (director's dealings). The Annual Document in accordance with section 10 of the German Securities Prospectus Act (Wertpapierprospektgesetz – WpPG) as well as other information of interest to investors, such as road show presentations, are also included.

Accounting and auditing

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 firm appointed by the Annual General Meeting – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg – audited both the consolidated financial statements and the annual financial statements of GRAMMER AG. Both audits were performed in compliance with all German accounting rules and taking into account the Generally Accepted Standards in Germany for the Audit of Financial Statements promulgated by the German Institute of Auditors (Institut der Wirtschaftsprüfer – IDW).

The audit also covered risk management and compliance with corporate governance reporting requirements under section 161 of the Stock Corporation Act. It was contractually agreed that the auditor would immediately notify the Supervisory Board as to any grounds for disqualification or conflicts of interest, as well as any key findings and occurrences during the audit. No such notification needed to be made. The annual financial statements and the consolidated financial statements were both awarded an unqualified audit 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 effectiveness of the internal control system, the risk management system and the internal audit system. Details on risk management are available in the Management Report on pages 43 ff.

Report of the Supervisory Board

Dear shareholders,

in this report, the Supervisory Board provides information on its activities during fiscal year 2011. The main focus were its consultations with the Executive Board regarding the Company's new structure and the Company's strategic development, in particular expansion in Asia and the US, as well as acquisition of Belgium-based EiA Electronics N.V. and restructuring of the Group's financing.

In fiscal year 2011, the Supervisory Board fulfilled its duties with utmost care in accordance with the Articles of Association and the law. The Supervisory Board regularly discussed fundamental and strategic issues concerning corporate planning, business policy, business development, the risk situation and risk management with the Executive Board. The Executive Board regularly made comprehensive and prompt verbal and written reports to the Supervisory Board with regard to all events of material importance and concerning the development of the Company's key financial and non-financial figures. The Supervisory Board was consulted promptly and intensively with respect to all decisions of significance for the Company. Collaboration with the Executive Board was characterized by an open exchange of information. The Executive Board notified the Supervisory Board immediately of important events that were of material importance for the evaluation of the position and performance, as well as management of the Company. In the case of particularly urgent processes, the Executive Board consulted with the Supervisory Board Chairman even before the regular meetings.

Numerous topics and business transactions requiring Board approval were discussed and decided at the various Supervisory Board meetings. In all, five meetings were held. The committee chairs reported regularly to the full Supervisory Board concerning the content and recommendations of the preceding committee meetings. It was not necessary to call any extraordinary Supervisory Board meetings during the past fiscal year.

Focal points of the Supervisory Board's activities

During the 2011 reporting year, the Supervisory Board addressed, in depth, GRAMMER AG's business situation, finances and strategy. Special attention was paid to the growth strategy as well as to the current earnings situation, including the risk situation and risk management. The state of the Company and its economic and financial situation were discussed in detail at each of the regular Supervisory Board meetings. When business developments varied from planning and targets, the Executive Board also provided detailed explanations in writing or verbally.

At the meeting held on March 28, 2011 to review the financial statements, the Supervisory Board addressed the financial statements and management reports for GRAMMER AG and for the Group as of December 31, 2010. During this meeting, the Supervisory Board discussed the agenda for the Annual General Meeting and decided on the resolution proposals to be submitted. The Supervisory Board addressed the financial restructuring measures, and in this context approved a capital increase with subscription rights, at times placing the Strategy Committee in charge of drafting the necessary resolutions. The Executive Board also presented the risk report for the first quarter of 2011. At this meeting, the Supervisory Board dealt with training and continuing education measures for Supervisory Board members, as well as adopting a qualification profile for shareholder representatives in the Supervisory Board. The decision was made to extend Mr. Hartmut Müller's appointment as a member of the Executive Board and CEO until January 31, 2017 and, effective April 1, 2011, to change the powers of representation held by Mr. Hartmut Müller and Mr. Alois Ponnath to a joint power of representation.

At the second meeting on May 25, 2011, final preparations were made for the Annual General Meeting. Moreover, the Executive Board reported on potential strategic acquisitions within the electronic segment as well as internal succession planning and the program for management talent development.

An organizational meeting of the Supervisory Board was held following the Annual General Meeting in Amberg on May 26, 2011. At this meeting, Dr. Klaus Probst, who was once again elected to the Supervisory Board by the Annual General Meeting, was confirmed as Chairman of the Supervisory Board and member of the Strategy, Standing and Nominating Committees.

The main topics of the fourth regular Supervisory Board meeting on September 27, 2011 were the Company's strategy until 2016, the Supervisory Board's efficiency review, integration of newly (July 2011) acquired electronics specialist EiA Electronics N.V., Aartselaar/Belgium and business development during the first eight months of the fiscal year.

The fifth and final regular meeting held on December 6, 2011 focused on the budget of GRAMMER Group for 2012, the Declaration of Compliance with the GCGC and the current status of the diversity goals. The Supervisory Board and the Executive Board jointly approved the budget for the new 2012 fiscal year.

There was no member of the Supervisory Board who took part in fewer than half the meetings.

In fiscal year 2011, the Supervisory Board also adopted three resolutions by way of a vote circulated in writing. The subject of the resolution on April 20, 2011 was appointment of Mr. Wolfgang Rösl as a member of the Audit and Standing Committees. The second circular resolution on June 6, 2011 related to approval by the Supervisory Board for acquisition by GRAMMER AG of 100% of equity in Belgian electronics specialist EiA Electronics N.V., Aartselaar/Belgium at a maximum price of EUR 10.5 million. Supervisory Board approval for placement of a new debenture bond in the amount of at least EUR 50.0 million with the option of an increase up to a maximum of EUR 65.0 million in the event of oversubscription, and partial prolongation of the exising EUR 70.0 million debenture bond issued August 22, 2006 of up to EUR 50.0 million was granted via the circular resolution on July 26, 2011.

Supervisory Board Committees

In fiscal year 2011, the four Supervisory Board committees were comprised as follows:

- Strategy Committee:
  Joachim Bender
  Dr. Bernd Blankenstein (until June 30, 2011)
  Udo Fechtner (until March 31, 2011)
  Dr. Klaus Probst (Chairman as of March 4, 2011)
  Wolfgang Rösl (as of April 1, 2011)

- Standing Committee:
  Joachim Bender
  Udo Fechtner (until March 31, 2011)
  Georg Liebler
  Dr. Klaus Probst (Chairman as of March 4, 2011)
  Wolfgang Rösl (as of April 20, 2011)

- Audit Committee:
  Udo Fechtner (until March 31, 2011)
  Wolfram Hatz (Chairman)
  Tanja Jacquemin
  Wolfgang Rösl (as of April 20, 2011)
  Dr. Bernhard Wankerl

- Nominating Committee:
  Wolfram Hatz
  Dr. Klaus Probst
  Dr. Bernhard Wankerl

The Audit Committee met four times and once by telephone. The topics covered were the audit of the separate and consolidated annual financial statements for 2010, the risk report and its respective updating, GRAMMER's investments in China and the interim financial reports in fiscal year 2011. Following a thorough analysis, the Audit Committee recommended to the Supervisory Board that it once again recommend to the Annual General Meeting on May 26, 2011 Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, as the auditor for the financial statements of the Company and of the Group for fiscal year 2011.

Prior to the court appointment of Ms. Ingrid Hunger as a member of the Supervisory Board, the Nominating Committee held a meeting via telephone, where it recommended appointment of Ms. Ingrid Hunger to the Supervisory Board.

The Standing Committee met three times during fiscal year 2011. The topics covered were the joint power of representation of Executive Board members, extension of the contract of employment with Mr. Hartmut Müller and his appointment as CEO of GRAMMER AG, as well as the performance evaluation of the Executive Board for 2010. Dr. Klaus Probst was elected as Chairman of the committee.

The Strategy Committee met once in person and two times via teleconferencing during fiscal year 2011. The in-person meeting covered the current M&A activities, restructuring of financing, strategic planning and changes to Supervisory Board remuneration, as well as implementation of and pricing for the capital increase. Dr. Klaus Probst was elected Chairman of the committee.

Annual and consolidated financial statements

At the Annual General Meeting held on May 26, 2011, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, was appointed as the auditor for the reporting year. At its meeting of November 3, 2011, the Audit Committee engaged the auditor for the 2011 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 the GRAMMER AG 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 management reports for both GRAMMER AG and the Group. The auditor issued an unqualified opinion in both cases. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft determined that the management reports for GRAMMER AG and the Group truly and fairly represent the situation of the Company and of the Group, as well as the opportunities and risks with regard to future development. The reports and financial statement documents were provided to the members of Supervisory Board by the auditor in a timely manner and were examined thoroughly. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft reported on the key results of the audit during the corresponding meeting of the Audit Committee dealing with the annual and consolidated financial statements, a separate discussion with the Audit Committee Chairman and at the Supervisory Board meeting held on March 27, 2012 to review the financial statements. After thorough examination of the annual financial statements and consolidated financial statements as well as the management reports, the Supervisory Board raised no objections in this regard. The Supervisory Board thus endorsed the audit results by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and approved the annual financial statements for GRAMMER AG and the Group. The GRAMMER AG annual financial statements have therefore been officially approved. The Supervisory Board agreed with the Executive Board proposal for appropriation of net retained profits.

Corporate Governance

On December 6, 2011, the Executive Board and the Supervisory Board provided an updated Declaration of Compliance, which was made permanently and publicly available on the Company's website. The recommendations of the German Corporate Governance Codex were followed, with one exception: Remuneration of the Supervisory Board was restructured beginning in fiscal year 2011. The members of the Supervisory Board now receive a fixed salary, and the variable component has been eliminated because the Executive and Supervisory Boards of GRAMMER AG are of the opinion that this will underline the independence of the Supervisory Board and serve better to prevent potential conflicts of interest in regard to its decisions, and that a salary based purely on membership in the Supervisory Board is better suited to the monitoring function of the members.

The diversity goals defined by the Supervisory Board were reviewed and continuing education courses were introduced for members of the Supervisory Board.

No conflicts of interest arose among Supervisory Board members in relation to their activities as members of the GRAMMER AG Supervisory Board.

Membership of the Executive and Supervisory Boards

The composition of the Supervisory Board changed as follows during the reporting year: Mr. Udo Fechtner left the Company, and thus also the Supervisory Board of GRAMMER AG on March 31, 2011. Based on a petition by the Executive Board, Mr. Martin Bodensteiner was appointed by the Amberg local court on April 20, 2011 as his successor to the Supervisory Board. With effect from June 30, 2011, Dr. Bernd Blankenstein left the Supervisory Board. His office was taken over by the Executive Board's nominee, Ms. Ingrid Hunger, by court appointment on August 22, 2011. Frank Himmelhuber left the Company on November 15, 2011, on which date he also departed from the Supervisory Board. The Amberg local court, as petitioned by the Executive Board, appointed Mr. Harald Jung as executive management representative to the Supervisory Board of GRAMMER AG on December 22, 2011.

The composition of the Executive Board remained unchanged in 2011, with Hartmut Müller as Chief Executive Officer, Alois Ponnath and Manfred Pretscher. Mr. Ponnath and the Supervisory Board have amicably agreed that the current CFO will leave the Company at the end of May 2012.

The Supervisory Board would like to express its thanks to the members of the Executive Board, all of the employees and the employee representatives of GRAMMER AG, and its appreciation for their personal commitment and hard work during fiscal year 2011.

Amberg, March 2012

On behalf of the Supervisory Board

Dr. Klaus Probst
Chairman

GRAMMER Share

Stock markets end a turbulent trading year deep in negative territory

Stock markets were extremely volatile worldwide over the course of 2011. The natural catastrophe in Japan, the European debt crisis and the rating downgrade of the US and numerous European countries played major roles in the sometimes extreme price fluctuations last year.

International index levels experienced a veritable roller coaster ride throughout 2011. Germany's benchmark DAX peaked in early May 2011 at 7,528 points. By September, the DAX had fallen to its lowest point of the year at 5,072 points. On December 30, 2011, the index finished the year down a total of 15% year-over-year at 5,898 points, marking one of the worst year's ever for the index.

The SDAX, where the GRAMMER share is listed, also experienced similar volatility in 2011. The index of 50 small-cap companies reached its highest level in July, when it hit 5,611 points. In the subsequent weeks, it too followed the steep downward trajectory of markets globally, to close 2011 down roughly 15% from the 2010 year-end level, at 4,421 points.

GRAMMER share in the vortex of international financial markets

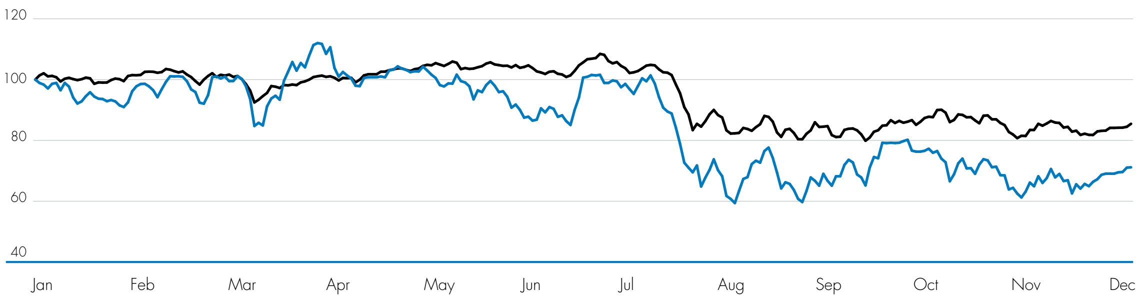
The price of the GRAMMER share was also extremely volatile over the past trading year, and despite positive earnings figures, was unable to counter the trends in financial markets internationally.

Following publication of the final financial figures for 2010 and announcement of a capital increase, the GRAMMER share price rose temporarily in April 2011 to more than EUR 20. The high for the year was reached on April 5, when the GRAMMER share traded for EUR 20.50. After a recovery in July, the share saw low trading volumes and, caught in the vortex of the overall downward trend, fell to its lowest level of 2011 on August 22 to EUR 10.87.

Given the general state of uncertainty about further global economic developments, the share price could not be buoyed to any significant extent by the favorable quarterly figures reported by GRAMMER AG and the upward revision of the full-year guidance. Consequently, the GRAMMER share closed on December 30, 2011 at a price of EUR 13.02 – this represents a decline of nearly 29% from the 2010 closing price.

Average daily trading volume in 2011 was more than 66,500 shares. The GRAMMER share thus remains firmly in the upper middle rankings of the SDAX.

GRAMMER AG and SDAX Performance Index 2011 price trend (in %)



December 31, 2010 = 100%

GRAMMER AG
SDAX Performance Index

Equity base strengthened through successful capital increase

On April 14, 2011, GRAMMER AG implemented an accelerated book building 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.

Upon commercial registration of the capital increase on April 14, 2011, the new shares were made available for trading on the Frankfurt Stock Exchange and the Munich Stock Exchange on April 18, 2011, and included under the current listing ISIN DE0005895403. The new shares carry full dividend rights for fiscal year 2011. Global coordinator and sole bookrunner for the transaction was Baader Bank Aktiengesellschaft, with M.M.Warburg & Co. as co-lead manager.

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 now has more freedom to invest in research and development of technologies and processes, as well as acquisitions to complete the value chain.

On July 26, GRAMMER AG acquired 100% of equity in Belgian electronics specialist, EiA Electronics N.V. for a price of EUR 10.5 million from the proceeds of the capital increase. 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 expanded its technological competence in the area of electronics while strategically broadening the Group's product range.

GRAMMER basic share data

Key figures GRAMMER share

	2011	2010
Share price at year-end (12/31)	13.02	18.30
Annual high (in EUR)	20.50	19.49
Annual low (in EUR)	10.87	5.45
Number of shares (12/31)	11,544,674	10,495,159
Market capitalization (in EUR m) (12/31)	150.3	192.1
Earnings per share (in EUR)	2.02	1.60
Dividend per share (in EUR)	0.40*	0

* proposal

On December 31, 2011, the share capital of GRAMMER AG totaled approximately EUR 29.6 million, divided into 11,544,674 bearer shares. Thereof 330,050 own shares are held by the Company. The GRAMMER share is listed in the SDAX, and trades 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.

Restoration of dividend

For the first time since the 2008, GRAMMER AG will again pay a dividend so that shareholders can participate in the success of the Company. The Executive Board and Supervisory Board will propose to the Annual General Meeting on May 23, 2012 distribution of a dividend of EUR 0.40 per share for fiscal year 2011. This results in a dividend yield of close to 3.1% based on the 2011 closing price.

Investor Relations in open dialog with all target groups

Investor Relations at GRAMMER is characterized by open, prompt and comprehensive communication. We supply our target groups with news about the Company at our yearly press and analyst conference as well as at the Annual General Meeting in Amberg and in our quarterly, semi-annual and annual reports.

In addition to offering comprehensive information for private investors, we also place a strong emphasis on regular dialog with institutional investors and analysts. To this end, the Company participated this past September in Munich at the German Investment Conference of UniCredit and in November at the Deutsche Börse AG Equity Forum in Frankfurt am Main.

We conducted one-on-ones with investors and analysts at numerous road shows in Germany and throughout Europe in places like London, Paris, Zurich, Vienna and Scandinavia.

Avid investor interest in GRAMMER was demonstrated in 2011 through both in-depth media coverage and in research by banks and independent analysts. Presently, six analysts regularly cover the GRAMMER share. All of them currently maintain a buy recommendation for GRAMMER or overweight the GRAMMER share.

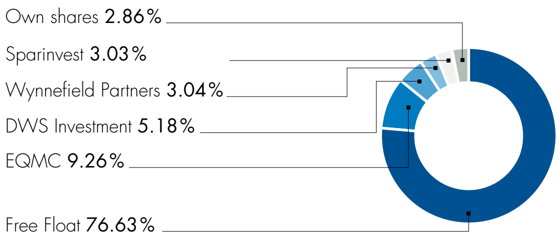
Since November 30, 2011, the GRAMMER website has been relaunched with a brand new design. The Investor Relations section, in particular, has been completely overhauled, to offer interested users a number of new features, especially in the area of share price information. All financial reports, press releases, presentations, audio recordings of the quarterly telephone conferences and other important information about GRAMMER are always available in the Investor Relations section of both the existing GRAMMER AG website and the new GRAMMER AG mobile website.

Shareholder structure

On July 18, 2011, the number of shares held by Electra QMC Europe Development Capital Funds plc in Dublin/Ireland fell below the 10 % threshold; the company now holds 9.26 % of voting capital (1,069,311 shares). Electra QMC Europe Development Capital Funds thus remains the largest shareholder in GRAMMER AG.

The second largest shareholder in GRAMMER AG is DWS Investment GmbH in Frankfurt am Main/Germany. On August 31, 2011, the number of shares held by DWS Investment GmbH exceeded the 3 % threshold; as of that date the company held 3.026 % of voting capital (349,300 shares). In October 2011, DWS Investment GmbH also notified the Company that its number of shares passed above the threshold of 5 % on October 7, 2011 to 5.176 % of voting capital (597,500 shares).

Shareholder structure



as of December 31, 2011

In June 2011, GRAMMER AG received notification from Sparinvest Fondsmæglerselskab A/S, Taastrup/Denmark that its holdings passed above the 3 % threshold on June 20, 2011; the company now holds 3.03 % of voting capital (349,769 shares). The entire 3.03 % of voting capital (349,769 shares) is attributable to Sparinvest Fondsmæglerselskab A/S pursuant to section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG.

The percentage share of voting capital held by Wynnefield Partners Small Cap Value L.P., New York/USA, totals 3.04 %.

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

Group Management Report Index

Group Management Report

- Group revenue hits new record at EUR 1.1 billion.
- Net profit continues to improve.
- Dividend proposed.

Company structure and operations

GRAMMER Group is a specialist 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. In addition to the parent company, GRAMMER AG, based in Amberg/Germany, the Group includes 23 other fully consolidated companies. GRAMMER Group is represented in 18 countries worldwide.

Business divisions

The Automotive division supplies premium automakers and automotive system suppliers with products such as seating components, including headrests, armrests and center consoles. In the Seating Systems division, the Company operates as both tier 1 and aftermarket supplier for complete seat units and seating systems. Our customers include manufacturers of trucks and offroad vehicles – including agricultural, forestry and construction machines and forklifts. Other customer groups we supply include rail transport OEMs, rail operators and bus manufacturers.

Corporate management

GRAMMER's value-based corporate management system is primarily oriented towards the key management indicators revenue, earnings before interest and taxes (EBIT), working capital, gearing and GRAMMER economic value added (GEVA). The latter is based on economic value added (EVA®) and measures the efficiency with which the Company's capital is being employed.

Overall economic conditions and developments

Debt crisis hampers global economic output

The global economic recovery lost momentum over the course of 2011. Following significant growth of 5.2 % in 2010, global output increased by just 3.8 % last year. The substantial rise in commodity prices was a drag especially in the first half, and the major earthquake in Japan hindered production, not only in that country alone. As these temporary effects wore off, production resumed a stable rise worldwide in the third quarter, until the debt crisis stalled the recovery – particularly in the eurozone. But economic activity was also considerably weaker in emerging markets.

In the US, where economic activity picked up somewhat over the course of the year, there is a glimmer of hope. GDP in the fourth quarter strengthened to an annualized rate of 2.8 % according to the Commerce Department. That is the best showing since the spring of 2010. Be that as it may, growth overall in 2011 reached only 1.7 %. In spite of persistently high unemployment, household consumption in the US rose at the end of the year. US exports increased by 4.7 %.

Economic output in emerging markets also cooled off considerably over the course of 2011, along with export activity. Moreover, in some countries economic policy was aimed until the middle of the year at fighting inflation. Many central banks thus raised interest rates and minimum reserve requirement, as well as implementing unconventional measures to slow capital inflows. These conditions even saw the Chinese economy losing some steam. With growth of 9.2 % overall, GDP expansion in 2011 lagged behind the 10.3 % achieved the previous year. In fact, according to the National Bureau of Statistics (NBS), Q4 2011 saw the weakest result in ten quarters.

Developments in the Eurozone were substantially influenced by the escalating sovereign debt crisis during 2011. After a promising start, the economy lost significant momentum as the year progressed. In addition to the debt crisis, increasingly restrictive financial policies throttled output and consumption within the single market. Without the strength of Germany, economic expansion in the Eurozone would have stalled in the third quarter. For the year as a whole, however, it was enough to pull out growth of 1.6 %. The darkening clouds on the horizon globally have not been completely without effect on the German economy. However, in price adjusted terms, gross domestic product increased by a hefty 3.0 % in 2011 – more than double the average rate since German reunification.

Very positive performance Group-wide despite cooling economy

Despite the difficult economic conditions, GRAMMER Group generated very positive performance last year. New orders and revenue increased by nearly 18 % on the strength of continued high demand in our markets, and following on already strong growth of 28 % the previous year. The increase in demand that started at the end of 2010 continued at an even faster pace in the first half of 2011, and endured at a high level in the latter half. Thus, the Group was able to put in a repeat performance of strong earnings for the year. The positive result was possible thanks to high rates of revenue growth and correspondingly reduced fixed costs. Implementation of measures to optimize cost structures and adjustments to the much stronger demand influenced results throughout the Group over the past fiscal year.

Changes in fiscal year 2011

The closure of GRAMMER AG's Immenstetten plant arranged together with the local works council was completed in August 2011.

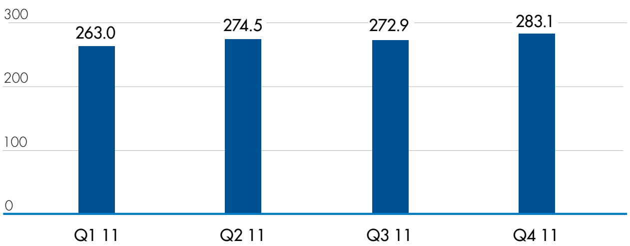
On April 14, 2011, GRAMMER AG implemented an accelerated book building procedure to place 1,049,515 new shares with qualified institutional investors in Germany and Europe. After conclusion of the capital increase, the share capital of the Company totals EUR 29,554,365.44 divided into 11,544,674 shares.

On July 26, GRAMMER AG acquired and fully consolidated 100% of equity in Belgian electronics specialist, EiA Electronics N.V., based in Aartselaar/Belgium, for a price of EUR 10.5 million from the proceeds of the capital increase. EiA Electronics N.V. specializes in development, integration and distribution of electronic components for commercial vehicles. With the purchase, the Group has expanded its technological competence in the area of electronics. The new company, GRAMMER EiA Electronics N.V., has roughly 50 employees and generated revenue of approximately EUR 27 million in 2011.

Group revenue reaches a new record of nearly EUR 1.1 billion

Based on these macroeconomic and industry-specific conditions, the GRAMMER Group was able to realize total revenue of EUR 1,093.5 million in 2011 (2010: 929,7) and therefore could achieve a new record during its more than 50-years company history. The high rates of revenue growth of up to 30% during the first six months of 2011 in the individual business segments were maintained over the remainder of the year. The positive market conditions and new production starts gave rise to further revenue gains in Q4 2011 as compared to the same quarter one year prior.

Group revenue by quarters (in EUR m)

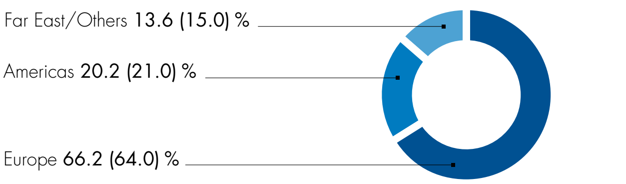


in EUR m

	2011	2010
Q1	263.0	203.0
Q2	274.5	241.5
Q3	272.9	232.5
Q4	283.1	252.7
Total year	1,093.5	929.7

Performance within GRAMMER Group was regionally varied throughout the year: In Europe, revenue increased by EUR 129.2 million to EUR 724.4 million (2010: 595.2), or 21.7%, slightly outpacing total revenue. Particularly the first two quarters in the Seating Systems division were considerably stronger in Europe than they were in the comparable prior-year period. But the Automotive division also saw outstanding growth in Europe as a result of high demand for premium vehicles and German carmakers' export strength. In the Americas, following a successful year in 2010, revenue was again slightly improved in 2011, as a result of new production starts and further market recoveries. In this region, GRAMMER generated revenue of EUR 220.7 million in the reporting year, after EUR 195.2 million the previous year. Year-over-year, this equates to a further 13.1% increase, after a 65.1% growth in 2010 as the economy recovered from the financial and economic crisis. Business in Asia continued to see very positive development. Revenue in the countries belonging geographically to the Far East/Others region rose by 6.5% to EUR 148.4 million in 2011 (2010: 139.3). As a result of very high annual rates over the past two years, growth in the region normalized as expected in the fiscal year.

Revenue by regions (previous year in brackets)



in EUR m

	2011	2010
Europe	724.4	595.2
Americas	220.7	195.2
Far East/Others	148.4	139.3
Total	1,093.5	929.7

Automotive industry continues to flourish

The global car market was robust in 2011, despite the broad regional variance displayed by figures from the German Automobile Manufactures Association (VDA). Contrasting with the high single-digit or even double-digit growth in the USA, China and Russia, new car sales were down by 1% in Western Europe. The Japanese car market recovered more quickly than expected, but clearly lagged at 16.3%. In total, global new car sales were up 6% to 65.4 million units.

In the US Light Vehicles (cars and light trucks) market, sales increased by 10% to 12.7 million units. For the first time, German manufacturers have sold more than 1 million light vehicles in the market, which pushes up their market share for the seventh consecutive time, to 8.2%.

In Asia, the Chinese market set course towards normalization after years of substantial growth. At 12.2 million cars, volume for the full year was up 8 % on the prior year. India, despite restrictive monetary policy and higher petroleum prices, saw 6 % more new vehicle registrations for a total of 2.5 million. Though the Japanese market recorded impressive double-digit growth in the fourth quarter, it was impossible to balance out the full-year decline as a result of the spring earthquake. New vehicle sales dropped 16 % to 3.5 million.

Russia, on the other hand, achieved a 39 % increase to nearly 2.7 million units. The Brazilian market was up 3 % to just over 3.4 million vehicles. Sales volumes in December, however, declined by 9 % to 329,200 units.

As expected, the Western European car market saw sideways movement with 12.8 million new vehicle registrations (–1 %). Volume sank 4 % in December, however, to 927,000 cars sold. Whereas the German market picked up by 6 % in December, sales volumes in the rest of Western Europe were largely down on prior-year figures: France saw a decline of nearly 18 %, Italy 15 %, the UK and Spain 4 % each.

In the new EU countries, new vehicle registrations at 760,700 units – a 2.9 % decrease year-over-year – failed to top prior-year figures.

For the full year, Germany added 3.2 million cars, an increase of 9 %. In an ever more difficult environment, the market saw more stable than expected development. Upper medium and premium vehicles were very strong, with double-digit growth rates, as opposed to the small and compact car segments, which grew only marginally. German export volumes were up 7 % to more than 4.5 million cars. This more than makes up for the slump in 2009, with volumes setting a new record in just two years' time. Nearly 5.9 million cars were produced by German carmakers in 2011 – also a new record.

Automotive division benefiting from export strength

The Automotive division once again enjoyed an exceptionally good order situation last year. Every quarter saw double-digit gains in revenue. Given the stability of demand in the premium segments and the very high export rate of the German auto industry, order books remained full and the most recent forecasts have been optimistic. For the year as a whole, our product development activities and new production starts, along with the continued strength of new car sales by premium manufacturers in Germany had a positive impact on business performance. Despite the effects of the euro crisis, our market position in the premium segment, along with the OEMs' record results made strong revenue growth possible. The strategic expansion of our center console product range also contributed to revenue growth in the Automotive division.

Revenues in all regions increased at already high levels. In Europe, new production starts pushed revenues still higher year-over-year, and capacity utilization at our plants in some cases hit the limit, as sporadic demand lead to repeated order surges. Volumes at our Chinese production facilities in Shanghai and Changchun were also better than planned. The domestic Chinese market and the performance of our local customers proved to be very robust, and we were once again in a position to profit from these developments. In addition to the positive economic situation, our expanded center console product range also provided fuel for additional growth. Following the renewed strength of the market last year, revenue performance in the NAFTA countries also remained positive, which can be largely attributed to the expansion of our customer base and product range.

To strengthen the earnings situation of the Automotive division long term, we continue to implement measures to improve profitability and cost efficiency. In addition to initiatives aimed at enhancing processes and structures, these involve optimization of the worldwide production network. One example is the closure of the Immenstetten plant near Amberg, which was concluded in August 2011. Capacities at our facilities in Schmölln and Zwickau were expanded as planned. As new projects were added in the area of center consoles, additional front-end production facilities were established. Thus, we were able to further improve capacity utilization of center console production sites in line with additional customer orders in this segment.

Dynamic commercial vehicle markets

According to the VDA, Western European truck and bus markets grew by a total of 9 % in 2011, in a continuation of the stabilizing trend. New registrations reached 1.9 million units, with significant regionalized variations: Whereas Germany (+19 %), the UK (+17 %) and the Netherlands (+25 %) experienced robust growth, France (+6 %) and Ireland (+9 %) had to settle for much more restrained improvements. Markets in the countries hardest hit by the debt crisis, such as Italy (–3 %), Spain (–7 %) and Portugal (–23 %) were down, significantly in some cases, with Greece bringing up the rear at –43 %.

In the US, strong industrial activity coupled with pent-up demand for replacements in the truck market vitalized the market. Sales volumes of medium and heavy commercial vehicles accelerated by 41 % year-over-year to 306,200 units. Demand for heavy trucks was extremely dynamic, with 60 % more vehicles – or 171.400 units – being sold. Medium trucks saw an increase of 22 %.

In Asia, the Indian commercial vehicle market grew at an annualized rate of 18%, with 774,700 new vehicles sold. After many years of booming sales, volumes in China were down (–7%). At 6.3 million new commercial vehicle registrations, however, the market remains very strong. As expected, the Japanese market for commercial vehicles also shrank in 2011. During the year, which was dominated by the effects of the natural disaster, new vehicle registrations were down 8% to 685,400 units.

In the new EU countries, new commercial vehicle registrations were highest in December 2011. Although volumes remain far away from the pre-crisis records, 2011 sales edged closer with a 26% rise to roughly 144,500 new commercial vehicles. The commercial vehicle sector in Russia also continued its recovery. Up to November, new registrations increased to 212,300 units – or 22%.

For its part, Germany saw a steep increase in 2011 commercial vehicle sales. At 334,800 units (+19%), volumes were nearly back to pre-crisis levels from 2008. In the wake of the substantial recovery in 2010, the segment for commercial vehicles over 6 t (excluding busses) once again grew by a hefty 21%. For commercial vehicles up to 6 t, the number rose to 240,500 new vehicles (+18%) – a new record.

Demand high for agricultural machinery

According to Germany's mechanical and industrial engineering association, VDMA (Verband Deutscher Maschinen- und Anlagenbau e.V.), the number of new tractors registered in Germany during 2011 was the highest since 1983. At 35,977 units, the market grew by 26%. Looking at the individual classes, the compact tractor segment up to 50 HP (37 kW) saw above-average growth of 37%. Total new registrations in the classes larger than 51 HP (38 kW) hit 28,419 units (+23%). Demand was buoyed by positive income developments in the agricultural sector, coupled with a successive shift in engine technologies to meet new emissions requirements.

Double-digit growth in material handling

Total revenue in the German material handling industry, according to a survey by the industry association Bundesverbandes der Händler und Vermieter von mobilen Arbeitsmaschinen (bbi), increased by 16% to EUR 3.0 billion in 2011. Revenue from new machine business, according to the survey, was up 16%; used machine revenues improved by 15%.

Momentum waning for construction machines

German construction machine manufacturers continued their growth trajectory in 2011. According to VDMA, the industry ended the year with revenues more than 15% higher. New order volumes, however, began to weaken over the course of the year, despite the fact that demand is still there globally for construction machines, especially in emerging markets. Already today, one in every two earth moving machines produced worldwide is sold in China. Europe and North America still account for at least 25% of the world market. In addition to China, markets in India, Brazil and, recently, Russia have also begun to regain their strength.

Among industrialized countries, Germany was the standout, leading the way in Europe and taking on more construction machines over the course of the year than expected.

Rail industry

The German rail industry was charactrized by a business slowdown, but nonetheless high order volumes in the first half-year 2011. Revenues in the sector sank by 14.5% to EUR 4.7 billion. The German Railway Industry Association (VDB) attributes this to the after-effects of slumping freight transport volumes in 2008 and 2009. New order activity was robust, especially in the domestic rail vehicle segment. Germany's national railway operator, Deutsche Bahn, contributed substantially with its initial order for 130 ICx trains to replace the InterCity fleet, which totaled EUR 3.7 billion. By contrast, foreign order volumes were down in the first six months of 2011 to EUR 2 billion.

Seating Systems

Strong performance in the truck and offroad segments

As already in 2010, the Seating Systems division served as the engine of growth for GRAMMER Group in 2011. This year's dynamic business development started with a pleasing first quarter, bolstered by a further improvement of the order situation in Q2. Given the Company's dominant position in the offroad and truck segments, positive order volumes resulted in strong revenue growth of 28.3%. Thus, we were able to maintain our leadership in the Western Europe market in 2011 as well as strengthening our competitive position in numerous countries, especially Brazil and China.

Especially in the offroad segment, sales volumes in seats for agricultural machines remained very high for the year as a whole, and we were once again able to achieve very strong growth. Full-year results were similarly positive in the construction machinery segment, and the material handling segment improved further from the already strong prior-year level. In all, earnings development in these product groups were highly satisfactory in the reporting year.

In truck business, we increased our lead in the South American market even further in 2011. A combination of favorable economic conditions and our strong market position had a strongly positive effect on revenue and earnings in Brazil. As the economy expanded, sales also improved considerably in Europe and the Middle East.

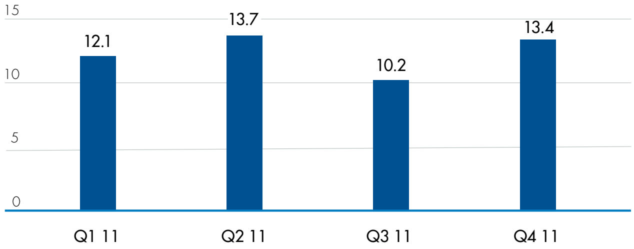
During 2011, expansion of the new production facility for truck seats at our Tachov plant in the Czech Republic was completed on schedule. Production will be launched here for a number of important truck seat models in the first quarter of 2012. Similarly, at the production plant in Haselmühl near Amberg, additional capacities and production lines were installed for production of metal components for the new generation of truck seats. With programs for production optimization based on the principles of lean management, key components of production were also restructured.

To improve our cost position, the entire Group has now increased sourcing of seats and seating components from the plant in Tianjin/China. In the US, we continued gradual progression toward an independent product development, distribution and production center to supply the American offroad market, and were thus able to take timely advantage of the recovery signals in the largest market for offroad products. The related localization is a crucial element in the systematic implementation of our plans to further penetrate the US market and eliminate foreign exchange risks through local production and distribution.

Railway segment continues to improve

As part of the ongoing re-alignment of the Company, the railway unit further optimized and stabilized its process capabilities. GRAMMER continued to restructure production and focus on project business in 2011. Development of additional platforms and increased acquisition of national and international projects was given a greater emphasis last year. New international orders from outside Germany were responsible for the majority of production launches.

Consolidated EBIT by quarters (in EUR m)



in EUR m

	2011	2010
Q1	12.1	3.5
Q2	13.7	11.4
Q3	10.2	8.1
Q4	13.4	9.9
Total year	**49.4**	**32.9**

Earnings

Earnings bolstered by strong demand in our markets

In 2011, GRAMMER Group further operationally improved its earnings situation. Gross profit rose in 2011 to EUR 142.5 million (2010: 119.6), an increase of 19.1 %. Despite the burden from, in some cases sporadic revenue growth spurts, as well as new production starts and capacity adjustments, earnings before interest and taxes (EBIT) rose by 50.2 %, and ended the year substantially higher at EUR 49.4 million (2010: 32.9). All segments saw absolute and relative improvements in operating profit. In particular, the Seating Systems division, which was already strong in 2010, once more generated significant earnings gains, returning to its accustomed status as a profit driver. In the reporting year, GRAMMER Group achieved a positive EBIT margin of 4.5 % (2010: 3.5), which represents an improvement on both the strong prior year and the level prior to the crisis.

Cost development dominated by difficult economic environment

Costs of sales increased by 17.4 % to EUR 951.0 million (2010: 810.2). This increase matched the proportional revenue growth, and is mainly a result of the massive expansion of production. Phases of acute capacity overload in the offroad segment from the start of the year initially led to proportionately higher personnel costs and costs for capacity measures in the first and second quarters. In light of the difficult economic environment marked by volatile exchange rates and commodity prices, sudden fluctuations in demand and rapidly growing markets in the area of seating systems, cost management within GRAMMER Group was satisfactory. Market and currency developments were dominated by the rapidly changing environment, which has placed constant demands on our ability to adapt. The high levels of uncertainty with respect to market reactions to the euro crisis were particularly burdensome, as it impacted both pricing and order volumes.

Labour costs rose by EUR 21.2 million to a total of EUR 229.6 million (2010: 208.4). In addition to the revenue improvements and capacity adjustments, earlier restructuring measures also began to result in lower fixed costs. The ratio of labour expenses to revenue at 21.0 % (2010: 22.4) was clearly lower than 2010 and the long-term average thanks to the anticipatory introduction and consistent implementation of personnel optimization measures.

In the year under review, sales expenses rose to EUR 27.8 million (2010: 26.5).

Administrative expenses rose to EUR 75.4 million (2010: 68.9). As a result of higher revenues and expanded business activities in growth regions, costs increased at a lower rate than in 2010 the previous year.

Other operating income

Other operating income came to EUR 10.1 million (2010: 8.7). The moderate increase is attributable to increased scrap sales, as well as rents and passing on of costs to suppliers.

Financial expenses

Financial expenses rose primarily as a result of higher exchange rate volatility and pension interest rates to EUR 15.4 million (2010: 14.9). As a result of financial restructuring, which is reflected in the newly concluded lines of credit and resulting one-off costs, interest expenses remained on a level with the previous year EUR 10.3 million (2010: 10.3), as the conditions are otherwise more favorable for the Company. Other interest and other income rose from EUR 1.4 million to EUR 2.2 million, given that excess liquidity – e. g. from the capital increase – was held as cash reserves. Due to valuation effects resulting from exchange rate developments, an expense of EUR 2.0 million was recognized under other financial income, as compared to income of EUR 1.1 million in the previous year. This change is primarily attributable to the exchange rate turbulences in the wake of the euro crisis.

Taxes

As expected, income taxes were higher year-over-year at EUR 12.2 million (2010: 4.2). On the domestic front in particular, weaker operating profit components reduced income tax expenses, whereas income tax expenses abroad rose slightly in some cases as a result of positive earnings performance. Withholding taxes also increased the taxes.

Profit

GRAMMER Group's operating earnings before interest and taxes (EBIT) for the year under review was EUR 49.4 million (2010: 32.9), with an equally pleasing improvement in EBIT margin to 4.5 % (2010: 3.5). Earnings after interest and taxes came to EUR 22.1 million (2010: 16.3), whereas increases in operating earnings were burdened mainly by income taxes and the financial result which was negatively impacted by exchange rate losses.

Earnings per share are calculated based on net income, and totaled EUR 2.02 (2010: 1.60). Including own shares in the calculation yields a result of EUR 1.96 per share (2010: 1.55).

Appropriation of profit

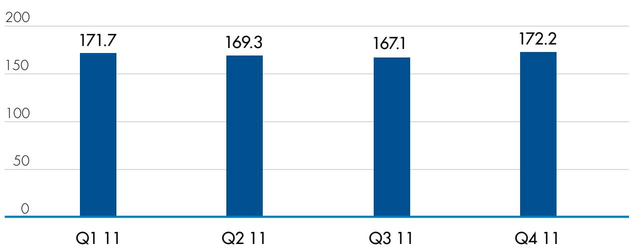
Appropriation of profit by GRAMMER Group is based on net retained profit/loss in the financial statements of GRAMMER AG, which are prepared in accordance with the German Commercial Code (HGB). On December 31, 2011, GRAMMER AG posted net retained profit of EUR 13.1 million (2010: net loss –26.0). This takes into account the loss of EUR 26.0 million carried forward, the withdrawal of EUR 24.8 million from other revenue reserves and net profit of EUR 14.3 million. The Executive Board will propose to the Supervisory Board and the Annual General Meeting that a dividend of EUR 0.40 be paid per share and that the remaining EUR 8.6 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 shares according dividend rights should change before the date of the Annual General Meeting on May 23, 2012, the Executive Board and Supervisory Board of GRAMMER AG will present an accordingly adjusted dividend proposal to the meeting.

Divisional revenues and earnings

Strong increase in revenues within Automotive segment due to high demand

Our Automotive division produces interior components for premium car manufacturers and automotive system suppliers. The division primarily generates its revenue through serial production and project business. In 2011, the division saw revenue of EUR 680.3 million (2010: 610.2), an increase of 11.5 % year-over-year. This accounted for 60.8 % of Group revenue (2010: 64.1). Earnings before interest and taxes (EBIT) totaled EUR 26.9 million (2010: 21.4), a clear improvement over the prior year in both nominal and relative terms, and showed a further pleasing improvement in absolute figures as well as percentage terms, which is attributable to both revenue growth and the completed restructuring and optimization measures. Start-up costs and adjustment measures due to higher capacity requirements for new products partially resulted in higher expenses. The division also incurred further costs for plant closures, which had an impact on earnings.

Automotive revenue by quarters (in EUR m)



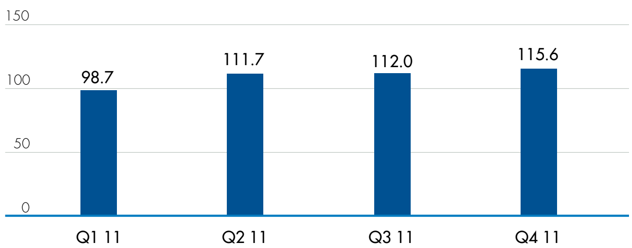
in EUR m

	2011	2010
Q1	171.7	136.3
Q2	169.3	159.5
Q3	167.1	147.7
Q4	172.2	166.7
Total year	**680.3**	**610.2**

Revenue and earnings up substantially in the Seating Systems division

Revenue performance in the Seating Systems division was up substantially in every quarter of 2011. In the offroad segment, revenue rose in spite of the already strong prior year, which in some cases led to capacity bottlenecks. In truck seat business, order volumes were also strong throughout the year. The European commercial vehicle market grew continuously as the economy improved in 2011, and the vigor of the markets of China and Brazil continued unabated. In all, the division's revenue improved to EUR 438.0 million in 2011 (2010: 341.9), which is 28.1 % more than in the previous year. Compared to crisis year 2009, revenues have improved by as much as 77.2 %. This illustrates just how dynamic revenue growth has been, which has at times presented a challenge for production management as a result of sudden order surges. The division also experienced further significant improvements in operating profit. During the reporting year, the Seating Systems division generated earnings before interest and taxes (EBIT) of EUR 30.6 million (2010: 17.6), despite impacts from the high growth rate and resulting capacity shortfalls.

Seating Systems revenue by quarters (in EUR m)



in EUR m

	2011	2010
Q1	98.7	71.8
Q2	111.7	87.8
Q3	112.0	89.5
Q4	115.6	92.8
Total year	438.0	341.9

Financial position

GRAMMER restructures financing

After its success in 2010, GRAMMER Group has revised its financing strategy and begun to further optimize financing costs and structures. The aim is to improve the maturity structure while at the same time creating financial reserves for further development of the Group. As an initial step, GRAMMER AG implemented a capital increase of 10 % from authorized capital on April 14, 2011 by way of an accelerated book building procedure to place 1,049,515 new shares with qualified institutional investors in Germany and Europe. 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 the further organic and external growth of the Group. The second step involved replacement of the financing agreements concluded in 2009 through a more cost-effective, newly structured solution. To this end, on August 22, 2011, GRAMMER AG issued a long-term debenture bond in the amount of EUR 60 million. The volume is distributed across three tranches with maturities of three, five and seven years. Simultaneously, a EUR 9.5 million tranche from an existing debenture bond entered early into prolongation. With this transaction alongside a new global credit facility in the amount of EUR 78.5 million maturing in 2014, the Group has taken early action to restructure its existing financing options and fully redeem the EUR 110 million syndicated loan agreement, which was originally scheduled for March 2013, already in September 2011. The new structure of the Group's financing serves to considerably align the maturities of its liabilities. At the same time, it allows GRAMMER to improve the terms and conditions of financing in its favor, while expanding the creditor base.

Non-current liabilities to banks increased to EUR 129.8 million (2010: 97.9); the increase resulted from issue of the new debenture bond and, in part, from maturity extension on the existing bond. Current financial liabilities fell to EUR 9.1 million (2010: 33.1), which are matched by cash and cash equivalents totaling EUR 46.8 million, including cash and short-term deposits. In addition, the domestic entities of GRAMMER and seven commercial banks entered into a new global credit facility which is valid until July 1, 2014.

Cash flow from operating activities increased as a result of the operating profit and optimization measures. The cash flow generated was utilized to increase business volumes and complete restructuring. Key projects included the expansion of production lines for the new generation of truck seats in Tachov and at the Haselmühl plant, as well as center console projects in Germany, the US and China, as they promise to stabilize future revenue generation. Moreover, in the summer of 2011, GRAMMER acquired Belgian electronics specialist, EiA Electronics N.V., which was financed from cash. Cash flow from investments without the acquisition of EiA Electronics N.V. was slightly higher year-over-year, as the increase in added value and aforementioned projects aimed at expanding the Company's business were accompanied by higher investments for production equipment. Cash flow from financing activities improved significantly, due to the capital increase and the corresponding reduction in bank liabilities. The increase in cash and cash equivalents is a result of the desired strategic liquidity reserve which has been created due to the long-term debenture bonds.

Net assets

On the balance sheet date, December 31, 2011, the total assets of GRAMMER Group amounted to EUR 625.2 million (2010: 559.4). The increase in business activity and the strategic liquidity reserve, along with the acquisition of EiA Electronics N.V., resulted in an 11.8 % rise in total assets as compared to the previous year.

Fixed assets up substantially on prior year

Non-current assets totaled EUR 260.6 million on December 31, 2011 (2010: 245.9). The build-up of production for center consoles in Mexico and Schmölln, as well as for truck seats in the Czech Republic led to a rise in property, plant and equipment to EUR 159.7 million (2010: 153.4). Through the acquisition of EiA Electronics N.V., intangible assets rose to EUR 57.4 million (2010: 50.3). Deferred taxes are roughly on par with the prior year.

Current assets rise with higher business activity

Compared to the 2010 reporting date, current assets increased to EUR 364.6 million (2010: 313.5). This rise was mainly due to the takeover of EiA Electronics N.V., the increase in business activity and creating of the strategic liquidity reserve, which was a desired effect of financial restructuring. Inventories were EUR 15.1 million higher than in 2010, at EUR 104.0 million. Despite revenue strength in the fourth quarter and additional items from the EiA Electronics N.V. acquisition, trade accounts receivable were down slightly from EUR 138.3 million in 2010 to EUR 137.8 million, due in part to the implementation of receivables management measures. Other current financial assets grew compared to the previous year by EUR 7.4 million to EUR 57.9 million as a result of the continued development of customer projects, whereas other current assets dropped by EUR 1.4 million to EUR 15.3 million. At the end of the year, cash and short-term deposits amounted to EUR 46.7 million (2010: 17.2), comprising primarily the newly created strategic liquidity reserve.

Equity continues to grow

As of December 31, 2011, as a result of the capital increase and net profits, equity rose substantially to EUR 211.2 million (2010: 173.1). The equity base was strengthened by EUR 19.1 million as a result of the capital increase. Equity thus encompasses 81.0 % (2010: 70.4) of non-current assets. The equity ratio as of December 31, 2011 rose to 34 % (2010: 31), despite the expansion of the balance sheet through acquisition of EiA Electronics N.V. and creation of the liquidity reserve under cash and equivalents in the amount of roughly EUR 30 million.

Changes in liabilities

Non-current liabilities amounted to EUR 226.7 million (2010: 189.8) at the reporting date. Non-current financial liabilities were up EUR 31.9 million to EUR 129.8 million (2010: 97.9) as a result of debt restructuring. As outlined above, long-term financing was optimized in order to improve the maturity structure and volumes of individual tranches at maturity. The steps taken will have a comprehensive positive impact on the quality and stability of GRAMMER Group's financial position. In addition, pension liabilities increased to EUR 64.5 million (2010: 61.1). Deferred tax liabilities also increased slightly to EUR 19.5 million (2010: 17.4).

Current liabilities were down to EUR 187.4 million (2010: 196.5), despite acquisition of EiA Electronics N.V. and increase in business activity. Despite higher rates of investment and the acquisition, current financial liabilities declined once more from EUR 33.1 million to EUR 9.1 million, owing to the new financing structure. Trade accounts payable increased year-over-year at EUR 110.6 million (2010: 92.1). Other current liabilities were lower at EUR 49.6 million (2010: 54.5) due to the structure of business growth. At EUR 4.5 million (2010: 5.0) current income tax liabilities were slightly lower than previous year, as a result of the earnings performance, especially in China and Brazil. Other current financial liabilities rose year-over-year, to EUR 4.5 million (2010: 3.5).

Capital

Capital structure

As of December 31, 2010, the subscribed capital of GRAMMER AG amounted to EUR 26,868 thousand divided into 10,495,159 no-par value shares. On April 14, 2011, GRAMMER AG implemented an accelerated book building 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. The share capital of the Company was conditionally increased by EUR 13.4 million based on the resolution of the Shareholder's Meeting on May 28, 2009. 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. This authorization expires on 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 or if a capital increase made against a cash contribution which 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.

The capital reserve amounted to EUR 74,444 thousand (2010: 58,237) as of December 31, 2011. The capital reserve includes the share premium from the capital increases in 1996 as well as premiums from the capital increases in 2001 and 2011.

The revenue reserve amounted to EUR 111,528 thousand (2010: 89,488) as of December 31, 2011.

According to notifications received on or before the balance sheet date by GRAMMER AG in accordance with section 21 et seq. of the German Securities Trading Act (WpHG), the companies listed below directly or indirectly hold shares of more than 3 % in GRAMMER AG: Electra QMC Europe Development Capital Funds plc in Dublin/Ireland sent notice on July 18, 2011 that its share of voting rights in GRAMMER AG had passed below the 10 % threshold and now totals 9.26 %. On June 20, 2011, Sparinvest Fondsmæglerselskab A/S, Taastrup/Denmark sent notice that the company now holds 3.03 % of voting capital. On August 31, 2011 DWS Investment GmbH, Frankfurt am Main has passed above the 3 % threshold and holds 3.026 % (349,000 shares). In October 2011 DWS Investment GmbH sent notice that voting rights increased to 5.176 % (597,500 shares) as of October 7, 2011. The other companies to which these voting rights are attributable are listed in the Notes, to the separate financial statements of GRAMMER AG.

Own shares

Pursuant to a 2006 resolution of the Annual General Meeting, the Executive Board of GRAMMER AG was authorized to purchase own shares in accordance with section 71 (1) no. 8 AktG. This authorization, which expired on December 1, 2007, was replaced by a new authorization to purchase own shares expiring on December 1, 2008 resolved by the Annual General Meeting on June 28, 2007. The Annual General Meeting on May 28, 2009 resolved to authorize acquisition of the Company's own shares amounting to no more than 10 % of the share capital until May 27, 2014. This authorization was confirmed by the 2010 Annual General Meeting as a confirming and/or new resolution. 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 a total of 330,050 own shares, all of which were acquired in fiscal year 2006. 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). The 330,050 own shares are non-voting and accord no dividend rights.

Appraisal of the Company's economic situation

Based on the above discussion of earnings, financial position and net assets, we view the economic situation of GRAMMER Group as positive. In our business segments, our market position may be characterized as either good or very good, and our innovative products enjoy a great degree of acceptance in the marketplace. Thanks to current projects and product launches, we view the Group's revenue and earnings performance, also over the long term, as positive. However, the impact of developments in, and the volatility of, commodities markets need to be monitored very carefully, as these may strongly impact the Company's economic stability. Moreover, developments in international currency and financial markets, including the ongoing euro crisis, may significantly influence the Company's performance.

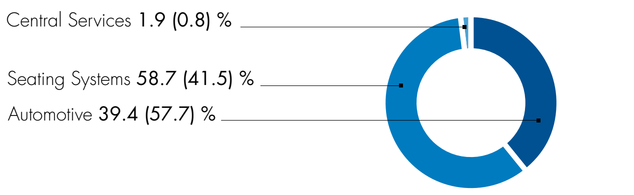
Investment

Capital expenditure by GRAMMER Group in the year under review decreased slighty to EUR 37.6 million (2010: 38.1). In the Automotive division, we invested significantly less, at EUR 14.8 million (2010: 22.0), which went mainly to new production facilities for pending customer projects and expansion of the sites in Changchun, Mexico and Schmölln, which will contribute to optimizing our cost structure as low-cost locations featuring as well as offering integrated production with a high degree of automation. Integrated center console production, which requires a greater intensity of investment, is necessary due to the orders received, and forms the basis for our future growth potential. In addition, the Company continues to carry out lean optimizations which are designed to increase productivity at our plants.

Investment in the Seating Systems division totaled EUR 22.1 million in 2011 (2010: 15.8). Set up of production for generation MSG 115 truck seats required substantial investment in the Czech Republic and Germany. Investments were also made in expansion of production in Brazil for the booming South American market and in supply independence for the region, as well as in the continued transition to lean management and production at all plants. For the offroad segment, we once again made major investments in tools and in further introduction of modular production units. These investments serve to enhance efficiency and optimize production. They also demonstrate the commitment of the Company to innovative products and production processes.

A total of EUR 0.7 million (2010: 0.3) was invested the Central Services division. We acquired further upgrades and additional licenses for our SAP system. Moreover, we invested in optimizing, integrating and networking our CAD software.

Investments by segments (previous year in brackets)



in EUR m

	2011	2010
Automotive	14.8	22.0
Seating Systems	22.1	15.8
Central Services	0.7	0.3
Total	37.6	38.1

Employees

Business expansion leads to higher workforce

As compared to the previous year, the number of employees increased by 9.7 %, which is a lower rate than proportionally revenue growth. On the balance sheet date, December 31, 2011, a total of 8,726 people were employed within GRAMMER Group (2010: 7,955). This included 5,148 (2010: 5,034) employees in the Automotive division, 3,377 (2010: 2,744) in the Seating Systems division and 201 (2010: 177) in Central Services. The rise was attributable primarily to hiring of production workers and employees in low-wage countries. The average number of employees during the year was 8,429 (2010: 7,745).

Focus remains on labour cost reduction

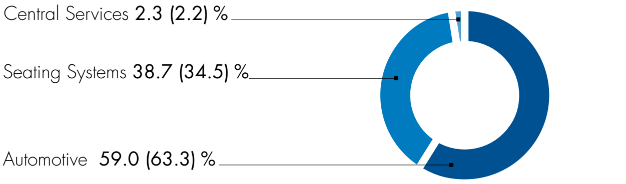
In 2011, as a result of revenue and business growth, employee numbers have continued to grow. Nonetheless, labour costs ratio ended up lower compared to 2010. In January 2011, a comprehensive package of measures was negotiated with the works council and parties to the collective bargaining agreement regarding closure of production in Immenstetten was signed and fully implemented by the end of August. As planned, steps were taken during the fiscal year toward closing down of production in Wackersdorf. End of production and phase-out will be finished as planned by the end of 2012. The strong increase in demand and production launches necessitated further hiring in Germany and, particularly, in China and low-cost locations. The Tachov plant in the Czech Republic, was set up for truck seat production including addition of new personnel. In Serbia and Bulgaria, our sewing capacity was expanded in response to persistent high demand in Automotive business. Hiring in the markets China and Brazil was increased in the first few months of the year as a result of the blooming economic situation.

Training, professional development, human resources

Personnel development is key to achieving and improving success in business. Employees with new ideas, expanded knowledge and additional competencies 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. Our professional development program is based on a three-level structure: The "General Management Program" focuses on strategic training for top management; the "Management Development Program" is aimed primarily at plant and department supervisors; the "GO!2008" program is designed for promotion of young talent. All three professional development concepts are oriented on the mission statement, targets and strategy of GRAMMER Group.

The Group also plays an important role in training in its regions, and the number of apprentices by the Group exceeds the number needed for GRAMMER's own business purposes. 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 gladly hire apprentices to work in our Company as the economic situation allows. In 2011, we continued to employ motivated apprentices in all divisions, in order to maintain a qualified pool of resources in fields that are becoming more important for the future. We also hosted internships and offered students and postgraduates the possibility to complete their thesis or dissertation while gaining practical experience within our Company. Highly qualified young professionals are also attracted through university recruiting events or cooperation with Bildungswerk der bayerischen Wirtschaft e. V. One example of our successful activities in the university domain is the long-standing close working relationship with the Amberg-Weiden University of Applied Sciences (HAW).

Employees by segments (previous year in brackets)



in figures (as of December 31)

	2011	2010
Automotive	5,148	5,034
Seating Systems	3,377	2,744
Central Services	201	177
Total	8,726	7,955

Supervisory and Executive Boards

The rules for appointment and dismissal of Executive Board members are based on the provisions of section 84 AktG. No deviating or additional provisions are contained in the Articles of Association. In 2011, there were no changes in the composition of the Executive Board.

Multiple changes occurred in the Supervisory Board during the reporting year: As employee representative, Mr. Martin Bodensteiner was named to the Supervisory Board effective April 20, 2011, replacing Mr. Udo Fechtner. As of August 22, 2011, Ms. Ingrid Hunger (lic. oec. HSG), Managing Partner and Management Spokesperson of Walter Hunger KG in Lohr a. Main/Germany, was appointed by court order of the Amberg Local Court as a member of the Supervisory Board of GRAMMER AG. Ms. Hunger is the shareholder representative to the Supervisory Board and thus replaces Dr. Bernd Blankenstein, who stepped down from the Supervisory Board on June 30, 2011. Effective December 22, 2011, Mr. Harald Jung followed Mr. Frank Himmelhuber, who left the Board on November 15, 2011, as executive management representative to the Supervisory Board.

Principles of the remuneration system

Beginning August 1, 2010, Executive Board remuneration was altered to comprise the following: The members continue to 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. Under the new structure, the performance-related component is divided into two elements: one short-term, the other long-term. 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 increases in the Company's enterprise value (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. A discount is withheld from the bonus payment to ensure income consistency, the amount and repayment of which is decided by the Chairman of the Supervisory Board. Remuneration of the Executive Board contains no components with long-term incentive effect, such as stock option or stock award programs. Furthermore, in the event of extraordinary earnings or losses in the relevant fiscal year, the Supervisory Board may decide to implement a compensation adjustment at the end of the year, as 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, 2011, and is now calculated as follows: For each complete fiscal year of Supervisory Board membership, each member of the Supervisory Board receives a 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 any given fiscal 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 shall also receive a meeting fee of EUR 1,000 per personally attended Board or committee meeting, plus reimbursed expenses. The chairman of a committee receives a further EUR 1,000 per committee meeting. The meeting fee shall not be paid for participation in meetings of the Nominating Committee. The fixed payment for reimbursement of expenses is payable in each case on the first business day following the Supervisory Board or committee meeting. The Company is authorized to conclude financial liability insurance (D&O, directors and officers liability insurance) at reasonable conditions in line with the prevailing market rate, the premiums for which shall be 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. A variable component, such as was paid in previous years, has been eliminated and there are no components with long-term incentive effect, such as stock option or stock award programs contained in the remuneration of the Supervisory Board.

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 to be found in this Annual Report, in chapter 34 of the Notes to the Consolidated Financial Statements, and are permanently available on the Company website under www.grammer.com/en/about-grammer/corporate-governance.

Research and development

Research and development is a central focus for GRAMMER AG, as an important factor for successful positioning in the market now and in the future. It is this technological advantage that generates innovative products and diversity in the product range. It allows us to tap into new market potentials and ensure long-term competitiveness. The responsibility for developing new automotive components and systems is increasingly shifting to suppliers. Consequently, the Automotive division continues to strengthen its position as a development partner and innovation driver for major manufacturers. In this context, technological advancement and first-rate solutions ensure important market advantages for GRAMMER. In Seating Systems too, we constantly work to further improve our products and generate solutions for the market that are one step ahead of the competition. But intensive research and development is not only the basis for our success today – it also provides the foundation for a winning future: New, innovative products enable us to meet even the most demanding of customer expectations over the long haul. As part of the Group's innovation, strategy product development has been pushed forward in every segment. A key focus in every area of the business has been light-weight construction, which has resulted in completely different development projects for the Automotive and Seating Systems divisions.

Whereas light-weight construction mainly uses plastic when it comes to consoles and armrests, there is a need for thin-walled rods when designing light-weight headrests, which must stand up to heightened mechanical demands. In the area of seats, especially truck seats, GRAMMER has launched a major light-weight construction offensive, which will lead to an array of future innovations. The main aim is to develop new technological solutions which can be utilized for product development over the medium term. As part of these efforts, GRAMMER is actively participating in a publicly funded research project. The increase in innovation by the Company can be seen concretely in the larger number of patents registered (+25%). Over the next few years, in addition to project-related themes, the innovation strategy will emphasize localization, or focusing of product development on the specific needs of regional markets. This is taking place in step with the activities of the various segments. Moreover, we have stepped up projects to standardize products specifically for each region, which will strengthen our market position in the long run. Our shift in focus also challenges other market participants to follow our lead, or at least develop tolerable solutions.

Opportunities and risk management

Risk policies and principles

Business always entails opportunities, as well as risks. Especially given the international orientation of GRAMMER Group, opportunities and risks arise, which must be managed. Listed below are some of the principles contained 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 to enhance the value of the Company by taking advantage of favorable business opportunities.

- GRAMMER must avoid any activities possibly entailing risks that could jeopardize the further existence of the Company.

- Core operational risks, and in particular those originating in the market, are carried by GRAMMER itself. The Company also bears risks arising from development of new products, whereas the Company seeks to transfer other risks (in particular, financial and liability risks) to third parties.

- Risk management within GRAMMER Group extends to all companies and organizational units. Identification of risks and implementation of value enhancing measures are deemed to be ongoing and Group-wide duties by GRAMMER management.

- All employees of the Company are called upon to identify and minimize risks within their area of responsibility. All employees must immediately report to their relevant supervisors any threats and opportunities emerging in the course of business.

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. As part of a continual monitoring process, risks with an estimated unintended loss potential of EUR 0.5 million or more are reported to central risk management. Every division and central administrative department has a risk officer in charge of this. 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 assures that decision-makers regularly receive comprehensive information on the risk situation of the Company, as well as the status of the measures implemented.

Central risk management is contained within the Group Finance department, and operates an IT-based risk management system, in which risks are centrally managed and appropriate measures for risk mitigation are initiated. The phases of the risk management process are optimally supported by this recognized software solution.

In this way, we maintain an overview of the key opportunities and risks for GRAMMER Group. These include: strategic risks, market risks, financial risks and legal risks, as well as risks stemming from the areas of IT, human resources and production.

Market and sector-specific risks

As a company with worldwide operations, GRAMMER AG is affected by business conditions in its home market as well as markets across the globe. We counter these risks with numerous different measures, while closely and continually monitoring developments in relevant markets – especially in our industries. We adjust our production and capacity accordingly when necessary. In the interest of effective risk management, GRAMMER Group took action immediately in reaction to the financial crisis and any indications of slowing revenues, and promptly adjusted production and cost structures to align with the new revenue situation. We can generally expect to face sector-specific revenue risks in the future as well. Since the recovery, there are signs in the Automotive division in particular, that growth will continue – if at a slower pace. Order books in the Seating Systems division also appear to be stabilizing at a good level. In recent months, economic data and indicators have pointed to continued uncertainty of the macroeconomic environment. Nonetheless, because there can be no way of knowing the extent to which a economic developments will be checked by political complications and ongoing weakness in EMU countries like Greece, Italy or Portugal, and since no reliable opinions exist concerning the scope of effects on the markets and products relevant to GRAMMER, risks remain that could affect our net assets, financial position and earnings.

As markets consolidate, there are competitive risks to consider, and cost pressures on car and truck makers are still being passed on to the supplier industry. A lack of follow-on orders in Europe could also be a risk factor. In response, we are putting a heavy emphasis on research and development, in addition to numerous process optimization measures to offset risk and increase cost efficiency.

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 enhancement 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.

Great emphasis is also placed on maintaining high quality standards within the Group, with early identification and elimination of potential sources of defects, as well as prevention of redundant work and idle capacities.

Procurement risks

GRAMMER aims to minimize planning risks resulting from fluctuations in commodity prices as much as possible. Particularly important in this regard are the market price development 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 high enormity of demand and prevailing volatility in steel, foam and plastics.

Risks arising from non-delivery by suppliers are countered by GRAMMER with a dual-sourcing strategy as part of an emergency plan featuring close monitoring of potentially critical suppliers along with a rapid reaction through implementation of defined emergency and risk management measures. In order to protect our value chain, we pay close attention to our suppliers' financial strength. We foster ongoing intensive contact with our suppliers and avoid dependencies where possible.

In order to address risks arising from quality problems attributable to suppliers, GRAMMER pursues focused supplier development and conducts regular supplier audits. An IT-based supplier assessment program allows us to analyze each supplier's quality and performance on an ongoing basis.

Financial risks
Group Finance centrally tracks interest, currency and liquidity risks. A strategic treasury management, the effectiveness of which is reviewed regularly, is used to mitigate these risks.

The primary currency risks for GRAMMER originate from trade payables/receivables and procurement costs denominated in Czech koruna, US dollars, Mexican pesos and Chinese yuan. GRAMMER Group counters currency risks through "natural hedging," that means increasing purchasing volumes in foreign currency regions or increasing local production. In addition, currency risks are hedged selectively via the financial market.

Interest rate risks are minimized by obtaining long-term funding and through the use of derivatives.

In light of the current restrictive credit policies among banks, ensuring adequate liquidity reserves is a high priority. In 2011, adequate financing for GRAMMER Group was safeguarded and structurally improved through prolongation of the existing debenture bond and issue of an additional long-term debenture bond, as well as securing short-term lines of credit at a guaranteed rate of interest. With maturities of three to seven years and low tranche volumes, dependency on specific maturities and banks was once more reduced. Liquidity risks are continually monitored and documented by way of a rolling Group-wide financial plan. Additionally, investments are selectively concluded via leasing and rental agreements.

Our customer structure serves to limit debtor default risks, which are controlled through active receivables management in Controlling/Accounting.

Legal risks
To guard against legal risks, we employ a system of intensive contract review and contract management, as well as systematic documentation and archiving. GRAMMER has sufficient insurance for "normal risks" and going-concern risks.

Human resource risks
GRAMMER relies on highly qualified staff and management personnel to effectively capitalize on business opportunities and build on our competitive advantage. For this reason, focused, demand-driven employee training and continuing education 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 to generate interest in GRAMMER among motivated, young professionals and specialists.

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 assured, even in emergencies, by separate emergency generators. All GRAMMER sites have redundant connections to the data centers. Sites with highly time-critical integrated manufacturing (just in time, just in sequence) are additionally equipped with an expanded high-availability solution. Contingency plans document the process for restoring the operating capability of mission-critical IT systems, and GRAMMER is also protected by suitable security systems against attacks from the outside.

A Group-wide IT security organization is also in place to ensure IT security.

GRAMMER Group's IT services department's Systems & Security team, along with the data protection officers and risk management team form the Security Incidence Team, which aims to coordinate activities to improve IT security.

Ecological risks
GRAMMER works with an environmental management system on the basis of ISO 14001. This system defines worldwide standards (e.g., officers, environmental programs and targets), implementation of and compliance with which are monitored through regular audits to minimize environmental risks. We also continue to pursue certification of our production sites in accordance with ISO 14001.

Opportunities: Positive conditions in our core markets are fuelling growth
Building on our range of high-quality products and our worldwide competitiveness, GRAMMER Group is likely to see further chances for growth if the economy remains stable and the commodities sector does not substantially deteriorate. Following the major restructuring measures at all Group companies, and as a result of the additional steps taken in 2011, there may be favorable opportunities to expand within our existing, highly competitive markets. Through the new focus on product and market relations, rapid decision-making and lean structures, we find ourselves better positioned in the market and vis-à-vis to our customers. The rationalization measures have improved our cost structures, so that our competitive position and chances for growth are improving even in highly competitive markets.

With respect to our markets in China, we see a range of chances for our products in all segments, as local OEM exporters are increasingly partnering with GRAMMER and demand for high-quality products is increasing for the local market. In the NAFTA markets, we also see further potential for our entire product portfolio. With stabilization of OEMs in North America and increasing direct local production by European OEMs in the country, our worldwide supply and production capabilities could provide a competitive advantage for GRAMMER.

In Europe, given the focus on innovation and further expansion of competencies, we are deepening our command of the value chain, to allow better market positioning of the Company following completion of the structural optimizations in Germany. Moreover, complementary partners from other specialized industries are opening up new directions for growth and value chain positions that increase the attractiveness of our product range and contribute further to solid growth.

Assessment of overall risk
Upon detailed review of the current risk situation, we have determined that GRAMMER Group has implemented adequate preventive measures. The risks that currently exist have no material impact on the future net assets, financial position and earnings of the Company. At this time, we see no risks that could jeopardize the further existence of the Company, and additional risk-mitigating expansion is possible as a result of the above-named opportunities. 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 feature both opportunities and risks.

Features of the internal control system

The parent company GRAMMER AG is a capital market-oriented corporation within the meaning of section 264 d HGB. For this reason, section 315 (2) no. 5 HGB stipulates that a description must be provided of the key features of the internal control and risk management system as they relate to the Group's accounting process, which also comprises the accounting processes of the companies included in the consolidated financial statements.

There is no legal definition of "the internal control and risk management system as they relate to the Group's accounting processes". We believe the internal control and risk management system to be a comprehensive system, and we base our definitions of the accounting-related internal control and risk management system on those of the Institute of Public Auditors in Germany (IDW), Düsseldorf. Accordingly, an internal control system is understood to comprise the principles, processes and measures introduced in the Company by its management that aim for organizational implementation of decisions made by management

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

In the context of the Group's accounting process, the structures and processes outlined as follows are implemented in the internal control system in the Group:

GRAMMER Group's Executive Board is assigned overall responsibility for the internal control and risk management system as it relates to the consolidated accounting process in the Group. All of the companies included in the consolidated financial statements and strategic divisions are linked into this system by way of defined management and reporting structures. The principles, the operational and organizational structure and the processes involved in the Group accounting-related internal control and risk management system are documented for the entire Group in a handbook, Group directives and operating procedures that are amended at regular intervals to reflect current external and internal developments.

As they relate to the Group's accounting process, we deem the key features of the internal control and risk management system to be those that can materially affect the Group's financial reporting and the overall presentation of 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 Group's accounting process;

- monitoring controls for supervising the accounting process and Group accounting process and their results at the level of the Group Executive Board, at the level of the strategic divisions and at the level of the companies included in the consolidated financial statement;

- preventive control measures in the financial and accounting systems of the Group and the companies included in the consolidated financial statements and the strategic divisions and in operational, performance-related business processes that generate material information for the preparation of the consolidated financial statements, including the Group management report, plus a division of functions and pre-defined approval processes in relevant departments;

- measures that ensure proper IT-based processing of information and data relating to Group accounting;

- measures for monitoring the internal control and risk management system as it relates to Group accounting.

Outlook

Global economy faces intensifying risks

In its most recent economic forecast for 2012, the International Monetary Fund (IMF) sees threats to the global economic recovery. Although it expects most industrialized countries to avoid recession, the IMF considers the weakening tendencies to be unmistakable. A major source of drag, it says, comes from the eurozone, which has entered into a difficult economic phase. This has prompted the IMF to make, in some cases drastic, cuts to its growth forecasts. Worldwide, output is expected to rise by only 3.3 %, which is 0.7 percentage points less than the organization was calling for in its fall 2011 forecast.

For the eurozone countries, the IMF even foresees the likelihood of recession. Gross domestic product within the EMU is expected to fall by 0.5 % in 2012. The organization has even become more reserved in its outlook for Germany. It now expects growth of no more than 0.3 %, a full percentage point less than previously forecast. The outlook for the UK has also been cut by a percentage point, and the IMF now expects to see growth of 0.6 % in the country. In France, growth – at 0.2 % – looks set to stagnate. The outlook is especially pessimistic for the crisis-hit countries Italy and Spain, where 2012 economic output is likely to contract by 2.2 % and 1.7 % respectively.

And, the IMF says there are numerous downside risks to the already downwardly revised outlook presented above. If the debt and financial crisis continues to escalate, it warns, eurozone growth could turn out around 4 percentage points lower, and globally around 2 percentage points lower than expected.

The IMF has a slightly more positive take on prospects for the US. At 1.8 %, it left its forecast unchanged. The IMF also expects to see stronger growth coming from emerging market countries: For Russia, Brazil, Mexico and South Africa, it foresees growth of between 2.5 % and 3.5 %. Leading the way will be China and India, with growth of 8.2 % and 7.0 %, despite the fact that these forecasts are weaker than before.

Outlook Automotive

Automotive industry optimistic for 2012

The VDA sees a positive outlook for carmakers in 2012, provided financial markets stabilize. Worldwide, markets are set to expand by 2 % to 4 %.

Japan, in particular, is expected to gain momentum, as demand recovers after the earthquake disaster in spring 2011. The outlook also remains promising for emerging markets. Despite somewhat disparate forecasts for China and India by the VDA, the trend is clear: markets continue to grow.

The forecast for the US could prove be too cautious over the course of the year. Experts currently anticipate roughly 5 % growth in the market for light vehicles. If the economy should continue to grow sustainably, however, much stronger results are said to be possible.

For Western Europe, the VDA is somewhat more pessimistic. Under the base scenario (eurozone avoids recession), sales will be down by 2 % year-over-year, as a result of weaker overall sales in larger markets. For France, the association anticipates a modest decline; the same goes for Italy. Spain will remain stuck in its doldrums as well.

In the risk scenario, the VDA says that Europe could see volumes fall by as much as 5 %. Germany too would be negatively impacted by such a scenario. If the eurozone economy slows down significantly, sales in Germany will also lag by roughly 2 % year-over-year.

Outlook Seating Systems

Commercial vehicle market split
The market for commercial vehicles has become much more cyclical and dependent – in both established and emerging markets – on industrial development. For light to medium trucks, the VDA is projecting stabilization at a very high level. In Western Europe, the market is expected to grow by 1 % to reach a new record.

Less certain is the VDA when it comes to heavy trucks. In Western Europe, signs are pointing increasingly toward weaker sales. According to estimates, 2012 promises volatile markets, even in Germany, with declines between 2 % and 8 % expected.

Full order books in agricultural machinery industry
Bolstered by positive income developments in the agricultural sector, the VDMA anticipates further growth in 2012. Given the size of the current order on hand, the German tractor market looks set to be on a high level. In 2012, the association expects total revenue for the German agricultural machinery industry to rise by 5 % to EUR 7.4 billion.

Construction sector showing stabilization trend
Euroconstruct, the European construction market research network, has changed its earlier view, and now expects a 0.3 % decline in construction activity in 2012. Throughout Europe, the forecaster says weaker economic development will negatively impact the construction sector. Especially in Portugal, Spain, Italy and Ireland, the industry is suffering from the effects of the economic crisis and saving programs of the governments. The recovery is already underway in the Nordic countries according to Euroconstruct.

In Germany, business sentiment in the construction and construction machinery sector has recently stabilized. Revenue forecasts by the VDMA thus foresee growth of 5 % for each segment in 2012.

Worldwide construction volume is projected to increase by around 4 % annually until 2014.

Cautious forecasts for material handling sector
According to the survey conducted by the industry association, Bundesverband der Händler und Vermieter von mobilen Arbeitsmaschinen (bbi), at least 35 % of participating material handling machine manufacturers are anticipating higher revenues in the first quarter. Another 50 % expect stagnating numbers, while roughly 15 % say revenues declined. When it comes to full-year figures, survey respondents were more cautious than in 2011, but positive on the whole. Full-year revenues are expected to increase by 1 %. Where as revenue from new machine business is likely to decline somewhat (–1.5 %), used machine revenues are expected to rise by 5.5 %.

Moderate growth in rail industry
The German Railway Industry Association e. V. (VDB) is forecasting that the accessible global market for rail technologies (including track construction and services) will expand by 2.3 % annually until 2015/16. In the rail vehicle segment, growth is projected at 2 % annually. The primary drivers of this trend, according to the VDB, are intensified environmental and climate protection requirements, growing urbanization worldwide, economic globalization, liberalization and deregulation of rail transport, rising fuel prices and peaking resources.

Business development forecast

Looking back to the final quarters of 2011, signs continue to look positive. As planned, the Company has successfully achieved and increased its profitability. Based on the latest estimates of unit volumes by our customers, GRAMMER is planning on stable revenues and moderate sales growth over the coming years. Overall economic growth, however, will continue at a slower pace than 2011, and the eurozone could face persistent negative effects from financially weaker countries like Greece. The Group has not been immune from the pull of weaker markets, but new product launches may generate positive performance despite weakness. The further growth of GRAMMER Group also depends on the development of production costs at the Company's locations, particularly in Germany, as well as on market and sourcing prices. In the Automotive division, projects continue to be developed and new projects are in the pipeline throughout all of our product groups and regions. These will generate revenue in Germany and at our plants abroad. The deciding factor will be the extent to which customers further drive these developments and move forward with their model launches. Merger and acquisition activities will also have to be carefully observed, as market opportunities or risks could result depending on the decisions by OEMs.

Seating Systems faces heavy competition in our established markets, as well as increasing globalization as emerging markets continue their rise. Following the rapid growth seen in 2010 and 2011, stagnation is possible, especially in offroad markets. On the whole, revenues will increase somewhat as a result of newly launched truck seat production, but also become more complex. As the year progresses, we expect revenue to advance to a level slightly higher than 2011.

Among the medium to long-term structural changes within the Company are a continuation of measures to optimize production according to the lean management philosophy and to optimize administrative processes. 2012 will also be characterized by new truck seat and console production starts. The cost situation will be more challenging as global market prices for steel and alloys rise along with a strong increase in the oil price, which is reflected in the price of plastic and foam components, sometimes even anti-cyclically. Implementation of the package of efficiency measures introduced by the Executive Board will continue undiminished in 2012. Over the long term, we foresee risks in the overall economic environment, as well as markedly slower GDP growth, which is also being increasingly threatened by recessionary trends. Provided markets continue their stable development, we expect earnings to continue their gradual improvement in 2012 and beyond, building on the solid foundation created by the measures introduced and implemented.

Investment

With respect to capital expenditures, we expect them to be in line with last year. In order to continue driving growth of the Company, further investments will be made in NAFTA and Asian markets. Another focus will be Europe, given increases in 2012 from the expansion of center console production and implementation of larger-scale customer projects in the truck seat segment, as well as optimization of our R&D capacities. Furthermore, the switch to lean production methods worldwide will continue to optimize costs.

Research and development

In the Automotive division, we intend to upgrade the current product portfolio and deepen our value chain. Emphasis will be on expansion to include new vehicle models and strengthening of our core competencies. Pre-development will be further intensified, in order to better differentiate GRAMMER from the competition as a technologically innovative systems supplier. The Seating Systems division will continue to focus on the new MSG 115 truck seat platform and its promotion in other markets. We will also push ahead forcefully with development of our entry-level suspension packages and new production and plant technologies in the offroad segment. Moreover, we will round out the product range at both ends by focusing on development of local market-specific applications. This will entail targeted expansion of activities in both the NAFTA markets and in Asia. A central and overarching topic for all business lines is light-weight construction, with a dual focus on light-weight plastic construction and development of light-weight metallurgical construction that is strong enough to withstand heightened mechanical stresses. In the area of seats, especially truck seats, GRAMMER has launched a major light-weight construction offensive, with a substantial long-term focus. Additional comprehensive product range enhancements have been identified to propel bring divisions forward into new technological fields and innovations, which GRAMMER will take advantage of in 2012 and beyond.

Employees

Development in the number of employees are determined primarily by market conditions and cost considerations in Europe and Germany, as well as Company expansion in the Far East and Americas.

The planned implementation of further measures at the Wackersdorf location will also impact employee numbers. In light of the current economic situation, the Group will make minor additions to its production employees to align with the revenue and order situation. GRAMMER thus anticipates a slight increase in the number of employees for the Group.

Opportunities and risks

The economic situation going forward presents opportunities as well as risks. GRAMMER Group's business performance is closely tied to macroeconomic and industry-specific conditions, and is thus largely determined by external factors. Future economic performance is currently expected to be slightly positive based on the current development. Risks are increasing with respect to the development of commodity markets. Impacts from environmental catastrophes and demand growth as a result of the global economic upturn are resulting in sometimes extreme volatility. Currency exchange rates, especially the development of the Euro, are also a potential problem as a result of financial weakness in some eurozone countries as well as the extreme high levels of government debt facing some industrialized countries. The broadening and intensification of our existing global orientation will continue throughout 2012, in order to increase our presence in emerging markets and improve revenues across all markets. To hedge against risks, we will push forward with steps such as the packages of efficiency measures introduced by the Executive Board or expansion of market and customer analysis, in order to better cope with any economic softening spots. Potential opportunities in this economic environment will result mainly from the expected moderate rise in revenue and from expansion of the product range, which will boost the competitive advantage we have in our markets. With respect to operating profit in 2012 and the ensuing years, we expect a slight percentage increase over last year. This depends, however, on the achievement of reasonable collective bargaining conditions and moderate development of procurement prices and exchange rates, as risks from these markets, over which we have no influence, are highly incalculable. In particular, market risks arising from political instability, such as tensions in the Middle East and the threat of war in this crisis-plagued region or ongoing problems facing eurozone countries, could have a negative impact on earnings over the long term. Development of the European debt crisis into a currency crisis and the related economic difficulties represent a further potential source of long-term risk.

Summary statement concerning the forecast of the Executive Board

In view of the business situation in the initial months of 2012, and in light of the still stable economic environment, our outlook on the performance of GRAMMER Group is cautiously positive. On the whole, business in the beginning of 2012 should continue to improve slightly. In the second half, we expect a leveling off of economic activity. Assuming stabilization and further improvement of the economic environment, and provided commodity price increases and exchange rate developments are moderate, we will continue to grow in 2012 and in the years thereafter. We also expect operating profit in and after 2012 to be slightly higher than in 2011. Our outlook for the earnings situation is also positive, provide the coming years are not too severely effected by the aftereffects of the euro crisis and emerging economic risks.

Events subsequent to the reporting date

The Supervisory Board of GRAMMER AG and CFO Mr. Alois Ponnath have jointly come to the decision not to renew the Executive Board contract set to expire at the end of October 2012. Instead, Mr. Ponnath will step down from his position after the Annual General Meeting on May 23, 2012. Alois Ponnath will leave GRAMMER AG at the end of May 2012. No decisions have yet been made with respect to Mr. Ponnath's successor.

Amberg, March 19, 2012

GRAMMER AG
The Executive Board

Consolidated Financial Statements Index

Consolidated Statement of Income for the fiscal year ended December 31

EUR k

	Note	2011	2010
Revenue	7	1,093,497	929,705
Cost of sales	8.3	−951,007	−810,155
Gross profit		**142,490**	**119,550**
Selling expenses	8.3	−27,785	−26,468
Administrative expenses	8.3	−75,385	−68,885
Other operating income	8.1	10,076	8,670
Operating profit/loss (–)		**49,396**	**32,867**
Financial income	8.2	2,233	1,429
Financial expenses	8.2	−15,381	−14,870
Other financial result	8.2	−1,991	1,126
Profit/loss (–) before income taxes		**34,257**	**20,552**
Income taxes	9	−12,159	−4,231
Net profit/loss (–)		**22,098**	**16,321**
Of which attributable to:			
Shareholders of the parent company		22,040	16,302
Non-controlling interests		58	19
		22,098	**16,321**
Earnings/loss (–) per share			
Basic/diluted earnings/loss (–) per share in EUR	10	2.02	1.60

Consolidated Statement of Comprehensive Income for the fiscal year ended December 31

EUR k	2011	2010
Net profit/loss (–)	22,098	16,321
Gains/Losses (–) from currency translation of foreign subsidiaries		
Gains/Losses (–) arising in the current period	–330	1,944
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)	–330	1,944
Gains/Losses (–) from cash flow hedges		
Gains/Losses (–) arising in the current period	–1,578	0
Less transfers recognized in the Income Statement	632	0
Tax expenses (–)/Tax income	284	0
Gains/Losses (–) from cash flow hedges (after tax)	–662	0
Gains/Losses (–) from net investments in foreign operations		
Gains/Losses (–) arising in the current period	–1,900	3,870
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)	–1,900	3,870
Other comprehensive income	–2,892	5,814
Total comprehensive income (after tax)	19,206	22,135
Of which attributable to:		
Shareholders of the parent company	19,160	22,112
Non-controlling interests	46	23

Consolidated Statement of Financial Position for the fiscal year ended December 31

ASSETS

EUR k

	Note	2011	2010
Non-current assets			
Property, plant and equipment	12	159,680	153,379
Intangible assets	13	57,393	50,249
Other financial assets	16	4,866	4,867
Income tax assets		70	0
Deferred tax assets	9.1	38,577	37,419
		260,586	245,914
Current assets			
Inventories	14	103,993	88,888
Trade accounts receivable	15	137,801	138,294
Other current financial assets	16	57,930	50,483
Short-term income tax assets		2,781	1,996
Cash and short-term deposits	18	46,749	17,170
Other current assets	17	15,339	16,656
		364,593	313,487
Total assets		625,179	559,401

Consolidated Statement of Financial Position for the fiscal year ended December 31

EQUITY AND LIABILITIES

EUR k

	Note	2011	2010
Equity			
Subscribed capital	19	29,554	26,868
Capital reserve	19	74,444	58,237
Own shares	19	−7,441	−7,441
Retained earnings	19	111,528	89,488
Accumulated other comprehensive income	19	2,606	5,486
Equity attributable to shareholders of the parent company		210,691	172,638
Non-controlling interests	19	474	463
Total equity		211,165	173,101
Non-current liabilities			
Non-current financial liabilities	21	129,776	97,852
Trade accounts payable	23	3,260	4,890
Other financial liabilities	24	6,532	6,169
Other liabilities	25	2,302	2,360
Retirement benefit obligations	20	64,495	61,078
Income tax liabilities		786	0
Deferred tax liabilities	9.1	19,506	17,430
		226,657	189,779
Current liabilities			
Current financial liabilities	21	9,090	33,149
Current trade accounts payable	23	110,619	92,115
Other current financial liabilities	24	4,465	3,459
Other current liabilities	25	49,625	54,502
Current income tax liabilities		4,499	5,004
Provisions	22	9,059	8,292
		187,357	196,521
Total liabilities		414,014	386,300
Total equity and liabilities		625,179	559,401

Consolidated Statement of Changes in Equity for the fiscal year ended December 31, 2011

Note 19

EUR k

					Accumulated other comprehensive income					
	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Cash flow hedges	Currency translation	Net investments in foreign operations	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	22,040	0	0	0	0	22,040	58	22,098
Other comprehensive income	0	0	0	0	–662	–318	–1,900	–2,880	–12	–2,892
Total comprehensive income	0	0	22,040	0	–662	–318	–1,900	19,160	46	19,206
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 December 31, 2011	29,554	74,444	111,528	–7,441	–662	9,939	–6,671	210,691	474	211,165

Consolidated Statement of Changes in Equity for the fiscal year ended December 31, 2010

EUR k

					Accumulated other comprehensive income					
	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Cash flow hedges	Currency translation	Net investments in foreign operations	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	16,302	0	0	0	0	16,302	19	16,321
Other comprehensive income	0	0	0	0	0	1,940	3,870	5,810	4	5,814
Total comprehensive income	0	0	16,302	0	0	1,940	3,870	22,112	23	22,135
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	–25	–25
As of December 31, 2010	26,868	58,237	89,488	−7,441	0	10,257	−4,771	172,638	463	173,101

Consolidated Statement of Cash Flow for the fiscal year ended December 31

Note 26

EUR k	2011	2010
1. Cash flow from operating activities		
Profit/loss (–) before income taxes	34,257	20,552
Non-cash items		
Depreciation of property, plant and equipment	23,785	23,075
Amortization of intangible assets	3,750	3,219
Changes in provisions and pension provisions	5,309	5,887
Other non-cash changes	–2,806	1,848
Changes in net working capital		
Decrease/Increase (–) in trade accounts receivable and other receivables	3,296	–28,122
Decrease/Increase (–) in inventories	–11,195	–11,665
Decrease/Increase (–) in other assets	–2,013	–6,033
Decrease (–)/Increase in accounts payable and other liabilities	16,907	37,288
Gains/Losses from disposal of assets	–817	–490
Income taxes paid	–12,464	–7,530
Cash flow from operating activities	**58,009**	**38,029**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–33,825	–34,551
Purchase of intangible assets	–3,757	–3,579
Purchase of financial investments	–232	–276
Aquisition of subsidiaries (less acquired cash)	–9,476	0
Disposals		
Disposal of property, plant and equipment	2,403	4,672
Disposal of intangible assets	9	177
Disposal of financial investments	190	65
Interest received	2,233	1,429
Government grants received	1,981	1,165
Cash flow from investing activities	**–40,474**	**–30,898**
3. Cash flow from financing activities		
Issue of new shares	18,893	0
Changes in non-current liabilities to banks	31,617	28,055
Changes in current liabilities to banks	–27,223	16,802
Changes in lease liabilities	–1,666	–1,602
Interest paid	–11,183	–11,470
Cash flow from financing activities	**10,438**	**31,785**
4. Cash and cash equivalents at end of period		
Net changes in cash and cash equivalents (sub-total of items 1–3)	27,973	38,916
Effects of exchange rate differences of cash and cash equivalents	541	–1,719
Cash and cash equivalents as of January 1	16,391	–20,806
Cash and cash equivalents as of December 31	**44,905**	**16,391**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	46,749	17,170
Securities	0	0
Bank overdrafts	–1,844	–779
Cash and cash equivalents as of December 31	**44,905**	**16,391**

Notes to the Consolidated Financial Statements for the Fiscal Year ending December 31, 2011

1 Information about GRAMMER Group and Basis of Reporting

Information about GRAMMER Group

GRAMMER AG is a public listed company incorporated under German law. The Company was created by means of a reorganization of GRAMMER GmbH (a private limited company) into a joint stock corporation (Aktiengesellschaft) and is registered in the commercial register of Amberg HRB 1182 under the name "GRAMMER Aktiengesellschaft". 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 and Munich stock exchanges since 1996.

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

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

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, 2011, the Company employed 8,726 persons (excluding trainees and including 201 employees in Central Services) at 28 production and logistics sites in Europe, the NAFTA and Mercosur regions, Asia as well as at GRAMMER Group Central Services in Amberg.

GRAMMER Group has divided its activities into the Automotive and Seating Systems segments. The main activities of the Group are described in Note 6.

General

These consolidated financial statements were prepared in accordance with section 315 a (1) HGB in conjunction with the International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as applicable in accordance with Regulation no. 1606/2002 of the European Parliament and the Council in the European Union (EU).

The consolidated financial statements of GRAMMER AG (the „Company") for the fiscal year ending December 31, 2011 were prepared in accordance with section 315 a (1) HGB and were approved by the Executive Board for submission to the Supervisory Board on March 19, 2012.

2 Accounting Policies

2.1 Basis of preparation

According to Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated July 19, 2002 concerning the application of international accounting standards (Official Journal EC No. L 243 p. 1), GRAMMER AG was required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for the first time for the fiscal year 2005; the opening IFRS consolidated balance sheet was prepared for the period beginning January 1, 2004 (date of first adoption to IFRS pursuant to IFRS 1). Acquisitions of companies carried out before January 1, 2004 continued to be accounted for using the consolidation procedure pursuant to section 301 (1) sentence 2 No. 1 of the German Commercial Code (HGB), i.e. the book value method: The carrying amounts of the shares were offset against the pro-rata share in equity of the consolidated subsidiaries at the time of acquisition or initial consolidation (IFRS 1). The pro-rata consolidated joint venture was accounted for using the same principles.

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 commercially rounded to the nearest thousand (EUR k). 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.

Declaration of conformity with IFRS

The consolidated financial statements of GRAMMER AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Principles of consolidation

The consolidated financial statements include the financial statements of GRAMMER AG and 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 also applied for 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 balance sheet date of the consolidated financial statements. If necessary, the financial statements of subsidiaries are adjusted to conform to the accounting policies applicable in the Group.

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.

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 subsidiary is no longer included in the consolidated financial statements as soon as the parent effectively loses control over the company concerned. Net income from subsidiaries acquired or sold in the course of the year is recognized in the consolidated income statement in line with the actual acquisition or disposal date.

Losses at subsidiaries are attributed to the non-controlling interests, even if this results in a negative balance.

Any change to participation 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: Assets and liabilities of the subsidiary, including goodwill, are derecognized, as is the carrying amount of the non-controlling interest in a former subsidiary and the cumulated exchange differences recognized in equity. The fair value of the considerations received and receivable is determined and resulting profit or loss recognized in the income statement. The amount formerly attributable to accumulated other comprehensive income, depending on the applicable IFRS rules, is recognized under revenue reserves or via the income statement.

Business combinations are accounted for using the purchase method. Costs for 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 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 respectively. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on 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.

Interest in a joint venture

The Group is involved in a joint venture, which is defined as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group employs proportional consolidation for accounting treatment of its interest in the joint venture. The Group combines its share of each of the assets, liabilities, income and expenses of the jointly controlled entity with similar items in the financial statements. The financial statements of the joint venture for a given fiscal year are prepared in accordance with uniform Group accounting and asset measurement policies also applied for the financial statements of the parent company.

If the Group contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction reflects the substance of the transaction. If the Group purchases assets from a jointly controlled entity, it does not recognize its share of the gain for the joint venture from the transaction until it resells the asset to an independent party.

The joint venture remains proportionately consolidated until joint control by the Group is lost or ended.

Scope of consolidation
In addition to GRAMMER AG, the scope of consolidation now includes five domestic and 18 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. During the current fiscal year, GRAMMER acquired EiA Electronics N.V. with registered office in Aartselaar/Belgium, which was fully consolidated effective July 26, 2011.

2.2 Estimates and discretionary scope

In some cases, reporting in accordance with IFRS requires the application of estimate and premise-intensive accounting principles, 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 balance sheet 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. 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. As of December 31, 2011, the carrying amount of goodwill amounted to EUR 35,859 thousand (2010: 32,591). For further details, please refer to Note 13.1.

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 balance sheet 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. The calculation also involves assumptions related to 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
Determination of provisions for warranties, litigation or restructuring is largely characterized by estimates and assumptions. For warranty estimates, a significant number of assumptions are made relating technical disruptions, costs and possible claims, which rely to a considerable degree 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 significant international orientation of our business relationships and the complexity of existing contractual agreements, discrepancies may exist between actual developments and the assumptions made or to be 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. The probability of resulting litigation and payments of tax liabilities on the basis of such litigation is deemed to be minimal, so that no contingent liabilities were recognized in this regard.

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 available in Note 9.1.

Pensions and other post-employment benefits
The expense from defined post-employment benefit plans is determined on the basis of actuarial calculations. Actuarial valuation is performed on the basis of assumptions related to discount rates, expected return on plan assets, future salary increases, mortality rates and future pension increases. In line with the long-term nature of these plans, such estimations are subject to material uncertainties. As of December 31, 2011, provisions for pension and similar obligations amounted to EUR 64,495 thousand (2010: 61,078). For further details, please refer to Note 20.

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 classified as a net investment and 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 EUR from the respective local currency at the middle rate on the balance sheet 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	
		2011	2010	2011	2010
Brazil	BRL	0.430	0.429	0.414	0.451
China	CNY	0.111	0.111	0.123	0.113
United Kingdom	GBP	1.149	1.166	1.197	1.162
Japan	JPY	0.009	0.009	0.010	0.009
Mexico	MXN	0.058	0.059	0.055	0.060
Poland	PLN	0.243	0.249	0.224	0.252
Czech Republic	CZK	0.041	0.039	0.039	0.040
Turkey	TRY	0.430	0.498	0.409	0.483
USA	USD	0.718	0.754	0.773	0.748

Non-current assets held for sale and discontinued operations
Non-current asset 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. This also applies if the Group continues to hold a non-controlling interest in the former subsidiary after disposal.

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 are 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 established 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 of derecognition.

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. The obligation arising from the lease is recognized on the balance sheet as a liability and reduced by the amount of lease payments made.

Any lease or rent payments under operating leases involving subsidiaries as lessee are recognized as an expense directly in the income statement.

Borrowing cost

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. The Group capitalizes borrowing costs relating all qualified assets for which construction commenced on or after January 1, 2009. The Group continues to recognize borrowing costs in connection with construction projects begun prior to January 1, 2009 as expenses.

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 against payment of a consideration are capitalized at cost at the time of purchase and amortized over their useful life (software: three to six years) on a straight-line basis (IAS 38).

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.

Intangible assets with indefinite useful lives are tested for impairment at least once annually for each asset or on the level of the cash-generating unit. These intangible assets are not amortized. The useful life of an intangible asset with an indefinite useful life is tested annually to establish if an indefinite useful life is still to be assumed. Should this not be the case, the asset is deemed to have a finite life and a change in an accounting estimate from indefinite to finite is recognized prospectively.

Amortization and impairment 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, with an option for extension 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.

All development costs for internally generated patents were measured at cost at the time of transition to IFRS on January 1, 2004. Balance sheet recognition under the IAS 38 criteria is limited to expected ability to generate cash flows within the respective cash-generating unit. Amortization is carried out on a straight-line basis over the expected useful life of the relevant patents (1 year to 19 years).

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 acquisition cost less any accumulated depreciation and any accumulated impairment losses. Depreciation commences with completion of the development phase when the asset is available for use, and continues over the period during which future benefit can be expected.

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 balance sheet 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 of continued operations are recognized in those cost categories that reflect the function of the impaired asset.

As of each balance sheet date, the Group reviews 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 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, except if the asset is recognized at the revalued amount. In this case, the reversal of the impairment loss is treated as an increase in value as a result of a revaluation. 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.

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 way 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 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 measured at fair value through profit or 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.

No primary financial assets 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 assets as assets to be recognized at fair value through profit or loss.

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 balance sheet 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. Non-realized gains or losses are recognized as other gains/losses under the provision for available-for-sale financial assets. 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 balance sheet 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.

Available-for-sale financial assets
At each balance sheet 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 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 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 effective as such.

The Group determines 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 payables and other liabilities, bank overdrafts, loans, bonds and derivatives.

Subsequent recognition of financial liabilities

Financial liabilities measured 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.

Fair value of financial instruments
The fair value of financial instruments traded on an organized financial market is determined as the market price (bid price) applicable on the balance sheet date. The fair value of financial instruments for which there is no active market is determined through application of valuation methods. Valuation methods include using recent arm's length market transactions between knowledgeable, willing and independent parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other pricing models.

Derivatives and hedge accounting
The Group makes use of derivatives, such as currency forwards, interest rate swaps and commodity futures to hedge against interest rate, exchange rate and other price risks. These derivatives are recognized at fair value at the time of agreement and revalued for recognition at fair value in subsequent periods. Derivatives 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 a loan 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 balance sheet 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 the stage of completion as of the balance sheet date (percentage-of-completion-method) in accordance with IAS 11. The percentage of completion is determined by the ratio of the accumulated contract costs as of the balance sheet 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 as of the date of the sale of the respective product. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation.

Provisions against warranty claims for costs relating to warranties are recognized at the time of sale of the relevant products or performance of the relevant services. The amount of initial recognition is on the basis of past experience. 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 valuation of pension provisions is based on the projected unit credit method in respect of defined benefit plans in accordance with IAS 19. This valuation method is based not only on pension payments and vested benefits known as of the balance sheet date but also reflects future salary and pension increases. The interest component included in the pension expenses is shown in the financial result as interest expenses.

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. In accordance with the option set forth in IAS 19, this amount is allocated in the GRAMMER Group over the expected average remaining working lives of the employees and recognized as appropriate in the balance sheet and income statement if the unrecognized actuarial gains or losses at the beginning of the fiscal year exceed 10% of the greater of the defined benefit obligation or the fair value of any plan assets at the beginning of the fiscal year.

Other post-employment benefits for employees are measured in accordance with IAS 19.

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 principal 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 balance sheet date. The percentage of completion is determined by the ratio of the accumulated contract costs as of the balance sheet 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 they arise. Interest income and expense is 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 are 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 balance sheet date.

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

Deferred taxes
Deferred taxes are recognized using the asset and 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 the initial recognition of goodwill or an asset or 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 liabilities arising from taxable temporary differences in connection with investments in subsidiaries, associates and interests in joint ventures are not recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, unused income tax losses carried forward and unused income tax credits to the extent that it is probable that future taxable profit will be available against which the unused income tax losses and unused income tax credits can be utilized. 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, associates and interests in joint ventures are only recognized 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 balance sheet 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 balance sheet 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 when 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 balance sheet 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

2.4.1 Application of revised and new accounting 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 went into effect on January 1, 2011:

- IAS 24 Related party disclosures (amended), applicable as of January 1, 2011

- IAS 32 Financial instruments: presentation (amended) applicable as of January 1, 2011

- IFRIC 14 Prepayments of a minimum funding requirement (amended), applicable as of January 1, 2011

- Improvements to IFRS 2010

Application of these standards and interpretations are explained in more detail below:

IAS 24 Related party disclosures
The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces a partial exemption from the general related party disclosure requirements under IAS 24 for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. Application of this change has not affected the Group's net assets, financial position and results of operations.

IAS 32 – Financial instruments: presentation classification of rights issues
This amendment alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given to all of the existing owners of the same class of an entity's non-derivative equity instruments. The amendment has had no effect on the financial position or performance of the Group, as it has no such instruments.

Amendment to IFRIC 14 – Prepayments of a minimum funding requirement
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The change is supposed to allow companies to recognize an asset for prepayments on minimum funding requirements. The Group is not subject to minimum funding requirements. The amendment to the interpretation therefore had no effect on the net assets, financial position or results of operations.

Improvements to IFRS 2010
Improvements to IFRS 2010 is a collection of amendments to various IFRSs published primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Application of the following amendments led to changes in accounting methods, but did not impact the net assets, financial position and results of operations of the Group:

- IFRS 3 Business combinations: The measurement options available for non-controlling interest have been amended. Only components of NCI (non-controlling interest) that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value. This applies for the first time in fiscal years starting on or after July 1, 2010. The Group has no such transactions.

- IFRS 7 Financial instruments – disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring additional qualitative information to put the quantitative information into context. This affects only presentation in the Notes.

- IAS 1 Presentation of financial statements: The amendment defines an option to present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the Notes. The Group provides the analysis in the statement of changes in equity.

Other amendments resulting from Improvements to IFRS 2010 to the following standards did not have any impact on the accounting policies or presentation of the net assets, financial position or results of operations of the Group:

- IFRS 3 Business combinations: Contingent consideration arising from business combination prior to adoption of IFRS 3

- IFRS 3 Business combinations: Unreplaced and voluntarily replaced share-based payment awards

- IAS 27 Consolidated and separate financial statements

- IAS 34 Interim financial reporting

The new and amended interpretations listed below had no impact on accounting policies and presentation of the net assets, financial situation and results of operations of the Group:

- IFRIC 13 Customer loyalty programs: Determining the fair value of award credits

- IFRIC 19 Extinguishing financial liabilities with equity instruments

2.4.2 Changes to standards and new standards for application of accounting methods

EU-endorsement pending
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 2011. The Group does not prospectively apply these standards and interpretations.

Amendment of IFRS 7 – Transfers of financial assets
The amendment of IAS 7 was published in October 2010 and is applicable for the first time in the fiscal year starting on or after July 1, 2011. It sets forth comprehensive new qualitative and quantitative information on transfers of financial assets that are not derecognized and about the continuing involvement in relation to the extinguished financial assets at the balance sheet date. This amendment is likely to increase the volume of information provided on financial instruments, but will not have any effect on the recognition and measurement of assets and liabilities in the consolidated financial statements or income in the future.

EU-endorsement pending
The IASB published the standards and interpretations listed below, application of which was not yet mandatory in fiscal year 2011. These standards and interpretations have not yet been endorsed by the EU and are not applied by the Group.

IFRS 9 Financial instruments: Classification and measurement
The initial part of phase I in the process of drafting IFRS 9 Financial instruments was published in November 2009. The standard contains amendments relating to classification and measurement of financial assets. According to it, debt instruments, depending on their specific characteristics and taking into account the business model, are to be accounted for either at amortized cost or at fair value through profit or loss. Equity instruments are always accounted for at fair value. Fluctuations in the value of equity instruments, however, may be recognized under other gains/losses, given the instrument-specific option that can be exercised at the time of acquisition of the instrument. In this case, for equity instruments, only certain dividend income would be recognized as income. An exception to the rule are financial assets held for trading, which must be recognized at fair value through profit or loss. In October 2010, the IASB completed the second part of phase I of the project. Thus, requirements in relation to financial liabilities were added to the standard, which sets forth that the existing classification and measurement rules continue to apply for financial liabilities, with the following exceptions: Effects from the change of the company's credit risk under financial liabilities classified as at fair value through profit or loss must be recognized directly in equity and derivative liabilities may no longer be recognized at historical cost. This amendment will apply for the first time in fiscal years starting on or after January 1, 2015. Conclusion of this project is expected in 2012. Application of phase I, part one will effect classification and measurement of the Group's financial assets. Part two of this project phase is not expected to impact the Group's net assets, financial position and results of operations. The Group will analyze and quantify the effects in conjunction with the other phases after publication.

IFRS 10 Consolidated financial statements
IFRS 10 was published in May 2011 and is applicable for the first time in the fiscal year starting on or after January 1, 2013. The new standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses accounting for consolidated financial statements, as well as interpretation SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities (including special purpose entities). The changes introduced by IFRS 10 will require management to exercise significantly more judgment to determine which entities are controlled, and are required to be consolidated by a parent.

IFRS 11 Joint arrangements
IFRS 11 was published in May 2011 and is applicable for the first time in the fiscal year starting on or after January 1, 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, these companies must be accounted for at equity. Application of the new standard will impact the net assets of the Group, because jointly controlled entities that were previously proportionately consolidated, i.e. whose assets and liabilities were included on a pro rata basis in the financial statements, must now be accounted for using the equity method. The Group participates in one jointly controlled company (see Note 4).

IFRS 12 Disclosure of interests in other entities
IFRS 12 was published in May 2011 and is applicable for the first time in the fiscal year starting on or after January 1, 2013. IFRS 12 combines the disclosure requirements in Group accounting for interests in subsidiaries, as previously included in IAS 27, joint arrangements, associates as previously included in IAS 31 and IAS 28, and for structured entities into one comprehensive disclosure standard. Given that the new standard sets forth additional disclosure requirements in addition to the previous informational requirements, Group reporting on such interests will have an expanded scope in the future.

IFRS 13 Fair value measurement
IFRS 13 was published in May 2011 and is applicable for the first time in the fiscal year starting on or after January 1, 2013. IFRS 13 describes how to measure fair value under IFRS and defines a number of quantitative and qualitative disclosures about fair value measurements. It does not change when an entity is required or permitted to use fair value measurement for assets and liabilities. IFRS 13 defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date.

The Group is currently evaluating the impact of the new standard on the net assets, financial position and results of operations.

IAS 1 Presentation of financial statements – Presentation of other comprehensive income

The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss at a future point in time must be presented separately from items that will remain in equity. This change merely affects presentation, and thus has no impact on the net assets, financial position or results of operations of the Group. The amendments are effective for fiscal years beginning on or after July 1, 2012.

Amendment of IAS 12 – Deferred taxes: Realization of underlying assets

The amendment of IAS 12 was published in December 2010 and is applicable for the first time in the fiscal year starting on or after January 1, 2012. The amendment clarifies the rules for measurement of deferred taxes on investment property measured using the fair value model in IAS 40, and introduces a (rebuttable) presumption that the carrying amount of such an asset will be recovered entirely through sale. Deferred tax arising on non-depreciable assets measured using the revaluation model in IAS 16 should always be based on the sale rate. In jurisdictions subject to German law, application will have no impact on the net assets, financial position and results of operations.

IAS 19 Employee benefits

The IASB issued revisions to IAS 19 that provide significant changes ranging from significant, e.g. relating to calculation of expected return on plan assets and elimination of the corridor approach, to immaterial ones like clarifications and rewordings. The amendment applies for the first time in fiscal years starting on or after January 1, 2013. Since the Group currently uses the corridor approach and recognizes actuarial gains and losses only when the corridor is exceeded, the full recognition of actuarial gains and losses in the period when they occur is expected to have an effect on the comprehensive income, and thus on the net assets, financial position and results of operations of the Group. Upon application, pension provisions will increase by EUR 5,409 thousand.

IAS 28 Investments in associates and joint ventures (amended 2011)

The amendment of IAS 28 was published in May 2011 and is applicable for the first time in the fiscal year starting on or after January 1, 2013. With the changes in IFRS 11 and IFRS 12, IAS was renamed Investments in Associates and Joint Ventures and the scope of application of the equity method expanded to include jointly controlled companies in addition to associates. Please refer to the section on IFRS 11 with respect to the effects of the changes.

Amendments to IAS 32 and IFRS 7 Financial instruments – Offsetting financial assets and financial liabilities

The amendments of IFRS 7 and IAS 32 were published in December 2011 and are applicable for the first time in the fiscal year starting on or after January 1, 2013. The changes are meant to address inconsistencies in current practice through additional guidelines for applying the offsetting criteria. The existing rules for offsetting of financial instruments, however, have been retained. The amendments also introduce additional disclosure requirements. The changes are not expected to affect the Group's net assets, financial position and results of operations, but will expand the scope of reporting.

3 Acquisitions

On July 26, 2011, GRAMMER AG acquired and fully consolidated 100% of equity in Belgian electronics specialist, EiA Electronics N.V., based in Aartselaar/Belgium, from previous owners of the shares, VADO (van doorne's) Financieringsmaatschappij N.V. and DACO N.V. With the purchase, GRAMMER is expanding its technological competence in the area of electronics. EiA Electronics has roughly 50 employees and generated revenue of approximately EUR 20 million in 2010. The acquisition was financed by proceeds from the capital increase by GRAMMER AG in April 2011. 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. The goodwill amount derives largely from the expected synergies resulting from joint operations and joint ventures. The amount of goodwill from this acquisition will be attributed in full to the cash-generating unit Seating Systems.

The costs for the acquired net assets of EiA Electronics N.V. totaled EUR 10.5 million. In connection with the transaction, costs in the amount of EUR 157 thousand were recognized under administrative expenses in the income statement.

On the date of acquisition, the net assets were comprised as follows:

EUR k	Fair value at at acquisition date
Assets	
Property, plant and equipment	423
Intangible assets	3,902
Inventories	3,910
Trade accounts receivable	7,736
Other current financial assets	1,197
Cash and short-term deposits	1,024
	18,192
Liabilities	
Non-current financial liabilities	−2,406
Other liabilities	−100
Current trade accounts payable	−5,930
Deferred income tax liabilities	−1,232
Other current liabilities	−1,292
	−10,960
Total net assets at fair value	7,232
Goodwill	3,268
Consideration transferred	**10,500**
Cash flow based on acquisition	
With the subsidiary acquired cash	1,024
Disposals of cash	−10,500
Disposals of cash due to acquisition	−9,476

All assets and liabilities acquired were accounted for at fair value on the date of acquisition. Additional intangible assets (client relationships and similar rights) that were not included in the balance sheet of the acquired company have also been included in accounting, along with associated deferred taxes. For measurement of client relationships, the multi-period excess earnings method was applied. There were no significant differences between the gross value and carrying amount of receivables. There are no non-controlling interests in the company. The fair value of the acquired net assets result in goodwill that cannot be amortized for tax purposes in the amount of EUR 3,268 thousand. In accordance with IFRS 3, this will not be amortized. The amount of goodwill contains a workforce measured at EUR 480.2 thousand on a cost basis. The remaining goodwill arises from the potential growth resulting from the acquisition. It will allow the Group to expand and solidify its relationship with existing customers, as well as directly enriching products and services with electronic components. The Group's position in the key regions Europe and NAFTA is also strengthened in the offroad and agricultural markets.

In the reporting period, EiA Electronics N.V. has generated revenue of EUR 10,754 thousand since conclusion of the transaction, contributing after tax profit of EUR 680 thousand. If EiA Electronics N.V. had been a part of the Group on January 1, 2011, this would have resulted in Group revenue of EUR 1,109,383 thousand and after tax profit of EUR 22,983 thousand.

4 Interest 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.

The share of the assets, liabilities, income, and expenses of the jointly controlled entity attributable to the Group as of December 31, 2011 and December 31, 2010 based on proportionate consolidation in the consolidated financial statements is as follows:

EUR k	2011	2010
Current assets	4,049	2,936
Non-current assets	727	144
	4,776	**3,080**
Current liabilities	−3,730	−2,412
Non-current liabilities	−10,097	−8,478
	−13,827	**−10,890**
Income	11,221	7,875
Expenses	−12,198	−8,368

As of December 31, 2011 and December 31, 2010, no share of contingent liabilities or capital commitments was attributable to the Group.

5 Restructuring Expenses

In 2011, the Group carried out various restructuring and relocation measures which resulted primarily from the full relocation of production from GRAMMER AG's Immenstetten plant. The Group also undertook an adjustment of costs for measures to implement to redundancy plan in relation to closure of production at the Wackersdorf plant, which are accounted for as direct severance payments for termination of employment and personnel expenses within the Group. These expenses included costs from termination of employment and other closure or relocation costs, and totaled roughly EUR 2.3 million.

6 Segment Reporting

The segments described below reflect 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 segment, which is the largest segment within GRAMMER Group, achieved 60.8 % (2010: 64.1) of total Group revenue in fiscal year 2011. 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 segment accordingly generated 39.2 % of Group revenue in the reporting year (2010: 35.9). 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 busses and railway manufacturers and railway operators. The Seating System segment now encompasses the business units Trucks, Bus and Offroad (agricultural machinery, construction machinery and forklifts) as well as the Railway unit.

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 are 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, 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.

Business 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, 2011 and 2010:

Fiscal year as of December 31, 2011

EUR k	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	414,157	679,340	0	1,093,497
Inter-segment revenue	23,850	983	−24,833	0
Total revenue	438,007	680,323	−24,833	1,093,497
Segment earnings (Operating profit/loss (–))	30,624	26,917	−8,145	49,396
Financial income				2,233
Financial expenses				−15,381
Other financial result				−1,991
Profit/loss (–) before income taxes				34,257
Income taxes				−12,159
Net profit/loss (–)				22,098
Other segment information				
Investments:				
Property, plant and equipment	21,063	12,328	435	33,826
Intangible assets	981	2,491	285	3,757
Depreciation of property, plant and equipment	−10,205	−13,063	−517	−23,785
Amortization of intangible assets	−1,281	−1,873	−596	−3,750
Non-cash items				
Changes in pension provisions	3,163	66	188	3,417

Fiscal year as of December 31, 2010

EUR k	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	320,938	608,767	0	**929,705**
Inter-segment revenue	20,942	1,446	– 22,388	**0**
Total revenue	**341,880**	**610,213**	**– 22,388**	**929,705**
Segment earnings (Operating profit/loss (–))	**17,590**	**21,353**	**– 6,076**	**32,867**
Financial income				**1,429**
Financial expenses				**– 14,870**
Other financial result				**1,126**
Profit/loss (–) before income taxes				**20,552**
Income taxes				**– 4,231**
Net profit/loss (–)				**16,321**
Other segment information				
Investments:				
Property, plant and equipment	15,494	18,815	242	**34,551**
Intangible assets	318	3,166	95	**3,579**
Depreciation of property, plant and equipment	– 9,472	– 13,031	– 572	**– 23,075**
Amortization of intangible assets	– 1,136	– 1,452	– 631	**– 3,219**
Non-cash items				
Changes in pension provisions	– 15	2,040	1,793	**3,818**

Reconciliation

EUR k	2011	2010
Segment earnings (Operating profit)	**57,541**	**38,943**
Central Services	–9,876	–7,502
Elimination	1,731	1,426
Group earnings (Operating profit)	**49,396**	**32,867**
Financial result	–15,139	– 12,315
Profit/loss (–) before income taxes	**34,257**	**20,552**

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

Information about geographical segments

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, 2011 and 2010. The geographical breakdown is based on the region of registration of the companies:

Fiscal year as of December 31, 2011

EUR k

Registration of the companies	Europe[1]	Americas	Far East/ Others	Group
Revenue	724,407	220,668	148,422	**1,093,497**
Non-current assets (= Property, plant and equipment and intangible assets)	176,383	20,116	20,574	**217,073**

Fiscal year as of December 31, 2010

EUR k

Registration of the companies	Europe[1]	Americas	Far East/ Others	Group
Revenue	595,245	195,197	139,263	**929,705**
Non-current assets (= Property, plant and equipment and intangible assets)	162,516	20,625	20,487	**203,628**

[1] EU member states

7 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 1,093,497 thousand (2010: 929,705) includes contract revenue of EUR 40,965 thousand (2010: 23,099) related to development contracts using the PoC-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 operative segment Seating Systems, PoC-revenues were generated due to the new projects for the truck seat production.

8 Other Income and Expenses

8.1 Other income

Other operating income primarily includes income from the reversal of provisions and valuation allowances amounting to EUR 666 thousand (2010: 1,019) and proceeds from the sale of scrap metal and materials handling costs and rental income of EUR 4,395 thousand (2010: 3,823). This item also contains government grants of EUR 895 thousand (2010: 452), income from offsetting costs of approximately EUR 637 thousand (2010: 245) and income from the sale of property, plant and equipment of EUR 1,137 thousand (2010: 1,070). The government grants were issued for the acquisition of certain items of property, plant and equipment. The conditions for these grants were satisfied in full and no other uncertainties exist in relation to them.

8.2 Financial result

EUR k

	2011	2010
Financial income		
Interest income from bank balances	989	963
Available-for-sale financial assets	5	5
Other loans	266	294
Financial assets and liabilities measured at fair value through profit or loss	973	167
Total financial income	**2,233**	**1,429**
Financial expenses		
Loans and overdraft	−10,313	−10,280
Other interest costs	−566	−72
Interest cost of pension provisions	−3,338	−3,124
Net loss from financial assets and liabilities measured at fair value through profit or loss	−1,032	−1,217
Interest element of lease payments	−132	−177
Total financial expenses	**−15,381**	**−14,870**
Other financial result	**−1,991**	**1,126**
Financial result	**−15,139**	**−12,315**

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 income includes interest income in the amount of EUR 1,260 thousand (2010: 1,262) calculated using the effective interest rate method.

Financial expenses include interest expenses for loans and overdrafts totaling EUR 10,313 thousand (2010: 10,280), the amount of which is attributable to higher interest rates on the loan redeemed at the end of August and restructuring of financing in September, and of which EUR 7,580 thousand (2010: 9,009) were determined using the effective interest rate method. The financial result also contains the interest component of pension contributions and the interest component of lease payments in accordance with IAS 17.

To improve the transparency of financial result disclosures, the other financial result was added. Other financial result primarily relates to gains or losses from measurement of borrowing and loans in foreign currency terms and measurement of financial assets and liabilities at the reporting date.

8.3 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 included by this item as well. The cost of sales also includes non-capitalized research and development costs in the amount of EUR 37,743 thousand (2010: 32,445) 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 segment 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 909,532 thousand (2010: 772,691).

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 expenses which cannot be assigned directly to other functions, including expenditure for general administration, management and central departments. Other administrative expenses also include income from exchange rate differences in the amount of EUR 14,845 thousand (2010: 20,910) 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 13,746 thousand (2010: 16,119) are also recognized under other administrative expenses.

Amortization of intangible assets and depreciation of property, plant and equipment

Amortization of intangible assets totaled EUR 3,750 thousand (2010: 3,219) and is recognized in the income statement under cost of sales, selling expenses and administrative expenses. The amount amortized includes EUR 1,360 thousand (2010: 1,299) for capitalized development costs included in cost of sales.

Depreciation of property, plant and equipment amounted to EUR 23,785 thousand (2010: 23,075).

As in 2010, no impairment losses were incurred in fiscal year 2011.

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

8.4 Personnel expenses

EUR k

	2011	2010
Wages and salaries	185,516	169,119
Social security contributions of which for pensions EUR 2,076 thousand (2010: 3,265)	44,087	39,290
	229,603	**208,409**

9 Income Taxes

The key components of income taxes for fiscal year 2011 and 2010 are as follows:

EUR k

	2011	2010
Consolidated Statement of Income		
Current tax		
Current tax expenses – Germany	−2,913	– 1,128
Current tax expenses – abroad	−9,481	– 9,622
Total current tax expenses	**−12,394**	**– 10,750**
Deferred tax		
Deferred tax income/expenses (–) Germany	210	5,662
Deferred tax income/expenses (–) abroad	25	857
Deferred tax income/expenses (–)	**235**	**6,519**
Tax income/expenses (–) reported in the consolidated Statement of Income	**−12,159**	**– 4,231**

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rate for the Group for fiscal year 2011 and 2010 is as follows:

EUR k

	2011	2010
Earnings before income taxes (relating to continuing operations)	**34,257**	**20,552**
Income taxes at the effective rate in Germany at 28.59% (2010: 30)	−9,794	– 6,166
Effects from minimum taxation and withholding taxes	−3,029	– 1,650
Adjustments to current income tax incurred in the previous year	– 1,044	– 584
Tax reduction due to losses carried forward/deferred taxes	1,661	5,263
Tax exempt government grants	325	217
Non-deductible expenses	– 1,340	– 1,582
Other tax effects	468	– 235
Effects from different tax rates	594	506
Income taxes at the effective tax rate of 35.5% (2010: 20.6)	**−12,159**	**– 4,231**

9.1 Deferred income taxes

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

EUR k

	2011 Consolidated Statement of Financial Position	2010 Consolidated Statement of Financial Position	Change
Deferred tax liabilities			
Property, plant and equipment	–5,544	– 5,063	–481
Intangible assets	–4,345	– 3,250	–1,095
Goodwill	–4,110	– 3,864	–246
Finance lease	–365	– 431	66
Other assets	–24	0	–24
Receivables	–4,244	– 3,929	–315
Others	–874	– 893	19
	–19,506	**– 17,430**	**–2,076**
Deferred tax assets			
Pension provisions	4,087	5,343	–1,256
Other provisions	412	870	–458
Tax losses carried forward	26,591	24,170	2,421
Financial assets	15	8	7
Others	7,472	7,028	444
	38,577	**37,419**	**1,158**

The statutory rate of corporate income tax in Germany was 15 % for the 2010 and 2011 assessment periods, plus a solidarity surtax of 5.5 %. This, together with municipal trade tax on profits with different rates of assessments which is not deductable as a business expense segment in Germany, results in a net tax burden of approximately 28.59 % in 2011 (2010: 30).

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 tax assets and liabilities were assessed based on the overall tax rate of 28.59 % (2010: 30). The local income tax rates for foreign entities varied between 10 % and 46 %.

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 tax assets is based on the probability of measurement differences being reversed and the recoverability of loss carry-forwards that led to their creation. Based on past experience and anticipated income levels, it is assumed that the corresponding benefits can be realized.

Loss carry-forwards of EUR 2,173 thousand (2010: 4,956) were assumed to be non-recoverable. These relate mainly to tax results of the Mexican and two US subsidiaries. The continued positive development of income and the outlook have otherwise resulted in an assumption of better utilization of loss carry-forwards. For the remaining tax loss carry-forwards, the Group assumes that it will have sufficient taxable income for recovery, as the losses are attributable primarily to expenses from restructuring and as a result of the financial crisis. The tax loss carry-forwards may be carried forward, or in some cases carried back, for periods of 10 to 20 years and to a part with no expiry.

Deferred taxes were not recorded on outside basis differences (i.e. differences between net assets, including goodwill at subsidiaries and the relevant tax value of interests in subsidiaries), as reversals of differences, e.g. through distributions, are taxable and because no significant tax effects are expected in the foreseeable future. As of December 31, 2011, outside basis differences totaled EUR 60,082 thousand.

In 2011, tax loss carry-forwards from previous years were realized in the amount of EUR 10,656 thousand (2010: 14,729).

10 Earnings per share

Basic earnings per share are calculated by dividing consolidated net income/net loss by the nominal number of shares outstanding during the fiscal year, less own shares acquired through buy-back. On April 14, 2011, the Group implemented an accelerated book building 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 held in treasury) 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.

	2011	2010
Weighted average number of no-par value shares used to calculate basic/diluted earnings per share	10,918,459	10,165,109
Consolidated net profit/loss (–) (in EUR thousand)	22,040	16,302
Basic/diluted earnings per share in EUR	2.02	1.60

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.

11 Dividends paid and proposed

GRAMMER AG posted net profit of EUR 13.1 million on the balance sheet date December 31, 2011. The Executive Board will propose to the Supervisory Board and the Annual General Meeting that a dividend of EUR 0.40 be paid per share and that the remaining EUR 8.6 million be carried forward. This takes into account the fact that the Company holds 330,050 own shares, which accord no dividend rights. If the number of shares according dividend rights should change before the date of the Annual General Meeting, the Executive Board will present an accordingly adjusted dividend proposal to the Annual General Meeting.

No dividend was paid in the reporting year and the year before. For further details, please refer to Note 19.

Dividends resolved and distributed during the fiscal year:

Dividends on no-par value shares

EUR k

	2011	2010
Dividend for 2010: 0 EUR (2009: 0 EUR)	0	0

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

	2011	2010
Dividend for 2011: 0.40 EUR (2010: 0 EUR)	4,486	0

12 Property, Plant and Equipment

EUR k

	Land and buildings	Manufacturing plant and equipment	Other plant and equipment	Advance payments and plant under construction	Finance leasing	Total
Cost						
As of January 1, 2011	85,466	146,172	148,112	9,798	6,644	396,192
Additions	906	10,591	14,554	7,775	0	33,826
Disposals	–32	–5,821	–2,889	0	–230	–8,972
Effects of exchange rate differences	–1,053	–3,496	–1,626	–144	–256	–6,575
Effects from company aquisition	0	192	230	0	0	422
Reclassifications	4,893	5,300	1,621	–11,814	0	0
As of December 31, 2011	90,180	152,938	160,002	5,615	6,158	414,893
Depreciation						
As of January 1, 2011	39,214	91,306	109,321	0	2,972	242,813
Additions	2,879	9,612	9,949	0	1,345	23,785
Disposals	–5	–4,681	–2,473	0	–227	–7,386
Effects of exchange rate differences	–446	–2,632	–869	0	–52	–3,999
Reclassifications	0	–3	3	0	0	0
As of December 31, 2011	41,642	93,602	115,931	0	4,038	255,213
Carrying amount on January 1, 2011	46,252	54,866	38,791	9,798	3,672	153,379
Carrying amount on December 31, 2011	48,538	59,336	44,071	5,615	2,120	159,680
Cost						
As of January 1, 2010	85,404	134,932	149,249	2,949	6,755	379,289
Additions	601	12,537	11,389	10,024	0	34,551
Disposals	–1,873	–7,255	–16,775	–88	–246	–26,237
Effects of exchange rate differences	1,066	4,878	2,372	138	135	8,589
Reclassifications	268	1,080	1,877	–3,225	0	0
As of December 31, 2010	85,466	146,172	148,112	9,798	6,644	396,192
Depreciation						
As of January 1, 2010	37,465	86,776	111,413	0	1,756	237,410
Additions	2,984	9,118	9,593	0	1,380	23,075
Disposals	–1,790	–7,043	–13,005	0	–212	–22,050
Write-ups	–5	0	0	0	0	–5
Effects of exchange rate differences	594	2,608	1,133	0	48	4,383
Reclassifications	–34	–153	187	0	0	0
As of December 31, 2010	39,214	91,306	109,321	0	2,972	242,813
Carrying amount on January 1, 2010	47,939	48,156	37,836	2,949	4,999	141,879
Carrying amount on December 31, 2010	46,252	54,866	38,791	9,798	3,672	153,379

Depreciation is based generally on the following useful economic lives:

Buildings and fixtures	10–40 years
Land 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.

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. For the 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	Manufacturing plant and equipment	Other plant and equipment	Motor vehicles	Total
Cost				
As of January 1, 2011	5,803	141	700	6,644
Additions	0	0	0	0
Disposals	0	0	–230	–230
Effects of exchange rate differences	–199	–14	–43	–256
As of December 31, 2011	5,604	127	427	6,158
Depreciation				
As of January 1, 2011	2,347	87	538	2,972
Additions	1,249	14	82	1,345
Disposals	0	0	–227	–227
Effects of exchange rate differences	–20	–8	–24	–52
As of December 31, 2011	3,576	93	369	4,038
Carrying amount January 1, 2011	3,456	54	162	3,672
Carrying amount December 31, 2011	2,028	34	58	2,120
Cost				
As of January 1, 2010	5,736	169	850	6,755
Additions	0	0	0	0
Disposals	0	–52	–194	–246
Effects of exchange rate differences	67	24	44	135
As of December 31, 2010	5,803	141	700	6,644
Depreciation				
As of January 1, 2010	1,094	105	557	1,756
Additions	1,252	17	111	1,380
Disposals	0	–51	–161	–212
Effects of exchange rate differences	1	16	31	48
As of December 31, 2010	2,347	87	538	2,972
Carrying amount on January 1, 2010	4,642	64	293	4,999
Carrying amount on December 31, 2010	3,456	54	162	3,672

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
2011			
Lease payments	805	242	0
Less interest cost on a discounted basis	–62	–10	0
Present value (Statement of financial position)	**743**	**232**	**0**
2010			
Lease payments	1,494	1,364	0
Less interest cost on a discounted basis	–108	–108	0
Present value (Statement of financial position)	**1,386**	**1,256**	**0**

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
2011			
Lease payments	11,098	20,577	7,060
2010			
Lease payments	13,982	26,937	9,000

13 Intangible Assets

EUR k

	Concessions and industrial rights	Goodwill	Capitalized development costs	Advance payments	Total
Cost					
As of January 1, 2011	23,900	43,738	16,340	0	83,978
Additions	2,145	0	1,602	10	3,757
Disposals	–125	0	0	0	–125
Effects of exchange rate differences	–189	0	127	0	–62
Effects from company aquisition	3,902	3,268	0	0	7,170
Reclassifications	7	0	0	–7	0
As of December 31, 2011	29,640	47,006	18,069	3	94,718
Amortization					
As of January 1, 2011	17,609	11,147	4,973	0	33,729
Additions	2,390	0	1,360	0	3,750
Disposals	–116	0	0	0	–116
Effects of exchange rate differences	–123	0	85	0	–38
Reclassifications	0	0	0	0	0
As of December 31, 2011	19,760	11,147	6,418	0	37,325
Carrying amount on January 1, 2011	6,291	32,591	11,367	0	50,249
Carrying amount on December 31, 2011	9,880	35,859	11,651	3	57,393
Cost					
As of January 1, 2010	20,858	43,738	15,625	0	80,221
Additions	3,017	0	554	8	3,579
Disposals	–275	0	0	0	–275
Effects of exchange rate differences	292	0	161	0	453
Reclassifications	8	0	0	–8	0
As of December 31, 2010	23,900	43,738	16,340	0	83,978
Amortization					
As of January 1, 2010	15,604	11,147	3,634	0	30,385
Additions	1,920	0	1,299	0	3,219
Disposals	–98	0	0	0	–98
Effects of exchange rate differences	183	0	40	0	223
Reclassifications	0	0	0	0	0
As of December 31, 2010	17,609	11,147	4,973	0	33,729
Carrying amount on January 1, 2010	5,254	32,591	11,991	0	49,836
Carrying amount on December 31, 2010	6,291	32,591	11,367	0	50,249

Concessions and industrial sights are comprised primarily of computer software and for the first time in the reporting year customer data, which have been identified in the course of the acquisition of EiA Electronics N.V. and are amortized over seven years. All other intangible assets are amortized like 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 1 to 19 years. Total research and development costs amounted to EUR 39,345 thousand in 2011 (2010: 32,999), of which EUR 1,602 thousand (2010: 554) satisfied the criteria for capitalization under IAS 38.

13.1 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, 2011 include the sustainable (net) growth rate of the relevant positive cash flows and the discount factor. These are presented in the following table:

EUR k

	Cash-generating unit	2011 Goodwill	2010 Goodwill	2011 Growth rate	2010 Growth rate	2011 Discount factor	2010 Discount factor
CGU I	Seating Systems	6,467	3,199	1 %	1 %	9.5 %	11 %
CGU II	Automotive	29,392	29,392	1 %	1 %	9.5 %	11 %
	Total	35,859	32,591				

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 financial planning 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.

Total cost of capital is determined using the capital asset pricing model assuming a risk-free interest rate of 2.75 % and a risk premium for general market risk of 5.5 %. 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 attributable to the 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.

Cash flows after this three-year period are extrapolated based on a growth rate of 1 %.

Based on the impairment tests carried out on December 31, 2011, no impairment losses were recognized since the recoverable amounts of the individual cash-generating units exceeded the respective carrying amounts.

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

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 inasmuch 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.

Sensitivity of the assumptions used
The Company's management is of the opinion that no change considered reasonably possible to one of the basic assumptions used in determining the fair value of the Seating Systems cash-generating unit could lead to the carrying amount of the cash-generating unit significantly exceeding its recoverable value.

With respect to the Automotive CGU, the recoverable amount exceeds the carrying amount by EUR 130,257 thousand. Potential changes to the basic assumptions could lead to the carrying amount exceeding the recoverable value. This could be caused by material changes to the following parameters:

- Revenue – The Company management is projecting moderately rising revenues, which takes account of the current market conditions and upcoming business expansion through new projects and product lines in various markets. If revenue growth should fall to near 0% p.a. in the planning period, the relevant profits would decline to such an extent that the fair value of this CGU further exceeds its carrying amount.

- A reduction of the terminal value growth rate (net growth rate) to 0%, with all other parameters remaining unchanged, would lead to a roughly 9.5% reduction in the recoverable value. A positive difference would persist between the recoverable amount and the carrying amount of CGU II.

- An increase of the underlying discount factor of approx. 4.7% points would mathematically reduce the excess of recoverable amount to carrying amount to zero.

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, 2011, GRAMMER AG's market capitalization was lower than the carrying value of Group equity. This could theoretically indicate that goodwill and other assets are impaired. As in the previous year, the individual steps of impairment testing are explained.

EUR k

Market cap	Equity	Fixed assets	Gearing
150,312	211,165	217,073	44%

For the individual CGUs themselves, no market price is available. Allocation of total market capitalization to the CGUs Seating Systems and Automotive is thus only possible with the use of arbitrary allocation models.

The market capitalization of GRAMMER AG on December 31, 2011 results from the closing price for the GRAMMER AG share on this date and is based largely on trading (supply and demand) of individual shares or small blocks of shares in GRAMMER AG. Pricing does not take into account any control premiums for the determination of a market price for the totality of shares in GRAMMER AG. Moreover, the minority share in GRAMMER AG traded in the open markets theoretically corresponds to the arm's length transaction price between knowledgeable, willing parties only if there is no information gap and price determination is not subject to negative market conditions that skew the significance of fundamental data.

The management of GRAMMER AG is of the opinion that market capitalization at the reporting date is immaterial for the present valuation considerations. Accordingly, the management based the measurements under IAS 36 on the conventional valuation methods taking into account cash flow projections.

14 Inventories

EUR k

	2011	2010
Raw materials and supplies	65,376	56,784
Work in progress	11,080	6,840
Finished goods and services	21,124	17,415
Advance payments	6,413	7,849
Total inventories	103,993	88,888

All inventories are carried at cost. There were no significant write-downs to the lower fair value.

15 Trade Accounts Receivable

EUR k

	2011	2010
Trade accounts receivable	137,801	138,294

Generally, trade accounts receivable are non-interest-bearing and have a term of 30–120 days. The blanket assignment of collateral in the context of the syndicated loan agreement in 2010 is no longer in effect since dissolution redemption of the syndicated loan in September 2011.

As of December 31, 2011 write-downs of EUR 3,203 thousand (2010: 2,695) were taken on trade accounts receivable. Details are given in the table below:

Trade accounts receivable

EUR k

	Specific bad debt allowances	Portfolio-based allowances	Total
As of January 1, 2011	1,419	1,276	2,695
Additions	14	728	742
Utilization	–46	–46	–92
Write-backs	0	0	0
Effects from exchange rate differences	–142	0	–142
As of December 31, 2011	1,245	1,958	3,203
As of January 1, 2010	986	719	1,705
Additions	742	565	1,307
Utilization	–267	–8	–275
Write-backs	–76	0	–76
Effects from exchange rate differences	34	0	34
As of December 31, 2010	1,419	1,276	2,695

The following table shows non-current and current financial receivables, which have neither been written down nor are overdue on the balance sheet 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
2011							
Trade accounts receivable	137,801	115,058	16,919	2,625	896	1,256	1,047
Receivables from construction contracts	54,086	54,086	0	0	0	0	0
Other financial receivables	8,169	8,169	0	0	0	0	0
2010							
Trade accounts receivable	138,294	113,273	19,541	2,822	574	1,550	534
Receivables from construction contracts	48,338	48,338	0	0	0	0	0
Other financial receivables	6,420	6,420	0	0	0	0	0

The carrying amount of the receivables portfolio represents the maximum default risk. 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.

16 Other Financial Assets

EUR k

	2011	2010
Non-current		
Outstanding loans	3,887	3,663
Securities	0	16
Participating interests	541	576
Others	438	612
	4,866	**4,867**
Current		
Receivables from construction contracts	54,086	48,338
Other receivables	3,844	2,145
	57,930	**50,483**

Outstanding loans primarily comprise one loan to a joint venture in a currency other than Group currency at a fair value on the origination date of EUR 5,271 thousand (2010: 5,121), which was measured at fair value on the reporting date to total EUR 3,797 thousand (2010: 3,565). Repayment of this loan is currently neither planned nor likely, so that it constitutes part of the net investment in this joint venture. The associated exchange rate fluctuations were recognized directly in equity. Other financial assets in the current fiscal year include loans made to third parties and employees in the amount of EUR 438 thousand (2010: 612).

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 trade receivables from affiliates with a term of 30–90 days.

17 Other Current Assets

EUR k

	2011	2010
Other assets	13,440	12,756
Prepaid expenses	1,899	3,900
	15,339	**16,656**

Other assets mainly include pass-through taxes such as value-added tax in the amount of EUR 8,226 thousand (2010: 7,580), investment grants totaling EUR 1,324 thousand (2010: 1,982), security deposits of EUR 457 thousand (2010: 908), receivables due from employees of EUR 454 thousand (2010: 279) and receivables due from creditors with debit balances of EUR 706 thousand (2010: 312).

No material restrictions on ownership or disposition existed for the other receivables and assets reported and no impairment losses were recognized.

18 Cash and Short-term Deposits

EUR k

	2011	2010
Cash and short-term deposits	**46,749**	**17,170**

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 statement of cash flow, holdings of cash and cash equivalents as of December 31 are as follows:

EUR k

	2011	2010
Cash and short-term deposits	46,749	17,170
Bank overdrafts	–1,844	–779
	44,905	**16,391**

19 Subscribed Capital and Reserves

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 book building 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 December 31, 2011. The capital reserve includes premiums from the capital increases in 1996, 2001 and 2011. Transaction costs for the 2011 capital increase totaled EUR 207 thousand. Tax attributable to the transaction amounted to EUR 85 thousand.

Retained earnings

The statutory reserve of GRAMMER AG totaled EUR 1,183 thousand on both December 31, 2011 and 2010, and is not available for the payment of dividends.

Retained earnings 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 to EUR 111,528 thousand as a result of the profit for the year.

Accumulated other comprehensive income

Accumulated other comprehensive income mainly comprise differences 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 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 retained earnings in the financial statements of GRAMMER AG, which are prepared according to the German Commercial Code. GRAMMER AG posted retained earnings of EUR 13.1 million on the balance sheet date December 31, 2011. This takes into account the loss of EUR 26.0 million carried forward, the withdrawal of EUR 24.8 million from other retained earnings, net profit of EUR 14.3 million. No dividend was paid in the most recent fiscal year. The Executive Board will propose to the Supervisory Board and the Annual General Meeting that a dividend of EUR 0.40 be paid per share and that the remaining EUR 8.6 million be carried forward. This takes into account the fact that the Company holds 330,050 own shares, which do not accord dividend rights. If the number of shares according dividend rights should change before the date of the Annual General Meeting, the Executive Board will present an accordingly adjusted dividend proposal to the Annual General Meeting.

Own shares

As of December 31, 2011, 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.

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 I (8) AktG. The Company may acquire up to 10 % of its share capital, i. e. up to 1,049,515 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 harbor rules of sections 14 (2), 20 a (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 acquisition 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, 2011, 11,544,674 no-par value shares (2010: 10,165,109) were in circulation.

Non-controlling interests

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

Authorizations

The Annual General Meeting on May 28, 2009 approved a conditional increase in share capital to EUR 13,434 thousand. The conditional capital increase will be carried out only to the extent that holders of options or conversion rights exercise their rights, or bond holders who are under the obligation to convert their bonds or exercise their options comply with such obligation under bonds with warrants or convertible bonds issued or guaranteed by the Company until May 27, 2014 on the basis of the authorization given to the Executive Board, and provided no other forms of performance are implemented with respect to the condition (conditional capital 2009).

Moreover, the Annual General Meeting on May 26, 2011 also granted approval until May 25, 2016 for new authorized capital in the amount of EUR 14,777 thousand (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. 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, however, shall have the right, upon approval of the Supervisory Board, to exclude shareholders' statutory subscription rights:

a) if 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 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.

20 Pensions and other post-employment Benefits

Pension provisions are recognized for retirement, disability and dependent survivor benefit plans. 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.

The Group's occupational pension scheme is based on defined benefit obligations.

These estimates are made in accordance with the projected unit credit method pursuant to IAS 19 (Employee Benefits). Future benefit obligations are measured on the basis of benefit entitlements earned on a pro-rated basis as of the reporting date. When measuring the obligations, assumptions regarding the relevant factors affecting the amount of the benefit are made. It is necessary to make actuarial calculations under all benefit systems.

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

Measurement parameters DBO

%

	2011	2010
Interest rate	5.00	5.25
Salary trend	2.20	2.20
Income trend for individual commitments	2.20	2.20
Inflation rate	1.90	1.90

Measurement parameters other benefits

%

	2011	2010
Interest rate	4.23–7.00	4.66–5.25
Salary trend	2.20–5.31	2.20–4.66
Inflation rate	1.90–10.44	1.90–10.00

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.

The pension commitments recognized in the balance sheet reflect the net liability. No plan assets exist to cover future pension obligations.

In fiscal year 2011, annuities were paid on pensions in the amount of EUR 1,617 thousand (2010: 1,433). Other post-employment benefits paid totaled EUR 87 thousand (2010: 54).

The following amounts were recognized in the income statement:

EUR k

2011	Pension plan	Miscellaneous benefits
Benefits earned in 2011	1,437	666
Interest expenses in 2011	3,237	101
Actuarial gains/losses recognized in 2011	26	0
Total 2011	4,700	767

EUR k

2010	Pension plan	Miscellaneous benefits
Benefits earned in 2010	1,469	661
Interest expenses in 2010	3,032	92
Actuarial gains/losses recognized	25	0
Total 2010	4,526	753

The above amounts are generally contained under personnel expense in the different functional divisions; interest expense for the respective obligation is recognized in the financial result.

Unfunded portions of pensions and other obligation in accordance with IAS 19 are as follows:

EUR k

	Pension plan	Miscellaneous benefits
DBO as of December 31, 2011	67,484	2,399
Unamortised actuarial losses (–)	–5,389	0
Provisions as of December 31, 2011	62,095	2,399

EUR k

	Pension plan	Miscellaneous benefits
DBO as of December 31, 2010	62,429	2,066
Unamortised actuarial losses (–)	–3,417	0
Provisions as of December 31, 2010	59,012	2,066

Accordingly, the change in DBO appears as follows:

EUR k

	Pension plan	Miscellaneous benefits
As of January 1, 2011	62,429	2,066
+ Benefits earned in 2011	1,437	666
+ Interest expenses in 2011	3,237	101
– Actual payments in 2011	–1,618	–87
– Disposals from liabilities 2011	–3	–39
Exchange rate differences	4	–308
Actuarial gains (–)/losses (+) 2011	1,998	0
As of December 31, 2011	67,484	2,399
As of January 1, 2010	58,399	1,311
+ Benefits earned in 2010	1,469	661
+ Interest expenses in 2010	3,032	92
– Actual payments in 2010	–1,433	–54
– Disposals from liabilities 2010	–19	0
Exchange rate differences	2	56
Actuarial gains (–)/losses (+) 2010	979	0
As of December 31, 2010	62,429	2,066

Changes in the assumptions used and planned changes are provided in the next table:

EUR k

	2011	2010	2009	2008	2007
Expected DBO as of December 31 of the relevant year	65,512	61,450	58,940	56,362	55,919
Current value of the DBO as of December 31 of the relevant year	67,484	62,429	58,399	55,714	53,124
Overfunding/Underfunding	1,972	979	–541	–648	–2,795
of which from:					
necessary and implemented structural adjustments	–736	219	–878	62	1,033
changes in assumptions	2,708	760	337	–710	–3,828

21 Financial Liabilities

Interest-bearing liabilities

EUR k

	Current	Non-current	Total
2011			
Overdrafts	1,844	0	1,844
Loans			
EUR loan	473	217	690
CNY loan	4,902	0	4,902
Debenture bond	1,871	129,559	131,430
Total Financial Liabilities	9,090	129,776	138,866

EUR k

	Current	Non-current	Total
2010			
Overdrafts	779	0	779
Loans			
EUR loan	30,103	28,000	58,103
CNY loan	2,267	0	2,267
Debenture bond	0	69,852	69,852
Total Financial Liabilities	33,149	97,852	131,001

As a result of the expansion of financing, the capital increase and financial restructuring, GRAMMER AG has improved its available liquidity. The previous credit facility via a syndicated loan totaling EUR 110.0 million, maturing in August 2013, was fully redeemed in September 2011 and replaced by a EUR 70.0 million global credit facility, as well as a new debenture bond in the amount of EUR 60.0 million.

The new bilateral global facility between GRAMMER companies in Germany and seven commercial banks matures on July 1, 2014. Lines of credit may be drawn as overdraft facilities or fixed-rate loans with interest periods of up to six months. Interest is charged on the basis of a money market rate plus a fixed credit margin.

GRAMMER Group companies bear joint and several liability for the bilateral lines of credit. Debts secured by mortgages and collateral pledged or assigned in the previous year from fixed and current assets were eliminated through the debt restructuring.

Overdrafts
Overdrafts are primarily amounts drawn by subsidiaries outside of Germany from local banks.

Current loans
The long-term KfW loan in the amount of EUR 28.0 million was redeemed early in September 2011 as part of the syndicated loan dissolution.

The EUR-denominated loans include loans of a subsidiary maturing in August 2013. Current loans denominated in Chinese yuan feature tranches maturing in December 2012, which will also be prolonged on a revolving basis taking into account the amount of funding deemed necessary for one year.

Debenture bond
A debenture bond totaling EUR 70.0 million exists which features a fixed interest rate of 4.8 % and matures in the amount of EUR 60.5 million at the end of August 2013. A EUR 9.5 million tranche entered early prolongation in September 2011 for a further three to five years. The interest rate in the prolongation phase is variable.

Moreover, GRAMMER AG issued a new debenture bond in September 2011 with a total nominal value of EUR 60.0 million. The debenture bonds feature both fixed and variable rates of interest on tranches of three, five and seven years.

22 Provisions

EUR k

	Market related provisions	Obligations relating to personnel	Other provisions	Total
As of January 1, 2011	7,277	616	399	8,292
Additions	4,655	265	290	5,210
Utilization	–3,071	–338	–141	–3,550
Releases	–648	4	–22	–666
Effects from exchange rate differences	–214	0	–13	–227
As of December 31, 2011	7,999	547	513	9,059
Current provisions 2011	7,999	547	513	9,059
Non-current provisions 2011	0	0	0	0
As of January 1, 2010	6,147	1,353	360	7,860
Additions	5,789	328	77	6,194
Utilization	–4,001	–955	–40	–4,996
Releases	–833	–110	0	–943
Effects from exchange rate differences	175	0	2	177
As of December 31, 2010	7,277	616	399	8,292
Current provisions 2010	7,277	616	399	8,292
Non-current provisions 2010	0	0	0	0

Market-related provisions include all risks from the sale of parts and products, including 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. 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.

Personnel provisions contain obligations related to personnel and social benefits such as anniversary bonuses. In fiscal year 2011, the allocated plan assets and obligations from early retirement entitlements were netted in the amount of EUR 2,643 thousand in accordance with IAS 19.

Other provisions refer a number of identifiable specific risks and contingent liabilities, for instance provisions for litigation costs, which are recognized at their probable amounts.

23 Trade Accounts Payable

EUR k

	2011	2010
Non-current trade accounts payable	3,260	4,890
Current trade accounts payable	110,619	92,115
Trade accounts payable	113,879	97,005

Trade accounts payable and other liabilities refer to outstanding payment obligations for goods and services and well as running costs. 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 have a term of up to 90 days. Non-current trade accounts payable contain 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.

24 Other Financial Liabilities

EUR k	2011	2010
Current		
Liabilities from derivatives	1,592	1,490
Liabilities from leases	743	1,386
Liabilities to associated companies	2,130	583
Other financial liabilities (current)	4,465	3,459
Non-current		
Liabilities from leases	232	1,256
Liabilities to associated companies	6,300	4,913
Other financial liabilities (non-current)	6,532	6,169

25 Other Liabilities

EUR k	2011	2010
Current		
Social security obligations	2,106	2,251
Tax liabilities	3,642	3,620
Prepayments received	3,694	6,956
Other liabilities	35,509	36,635
Deferred income	4,674	5,040
Other current liabilities	49,625	54,502
Non-current		
Tax liabilities	1,590	1,520
Miscellaneous other liabilities	712	840
Other liabilities (non-current)	2,302	2,360
Total other liabilities	51,927	56,862

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, as well as obligations under redundancy plans. The item also includes liabilities relating to value-added tax and for short-term accrued expenses.

Tax liabilities relating to other taxes and charges principally comprise outstanding wage taxes and similar charges for fiscal year 2011.

26 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 profit/loss before income 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 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.

27 Legal Disputes

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 legal disputes in the fiscal year.

28 Contingent Liabilities

EUR k	2011	2010
Guarantees	32	32

Guarantees have been issued primarily for rented business premises and performance bonds.

29 Related Party Disclosures

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

Name of subsidiary	Registered office	Equity interest in % 2011	Equity interest in % 2010
1. Fully consolidated subsidiaries			
1. GRAMMER do Brasil Ltda.	Atibaia, Brazil	99.99	99.99
2. GRAMMER Seating Systems Ltd.	Bloxwich, United Kingdom	100.00	100.00
3. GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S.	Bursa, Turkey	99.40	99.40
4. GRAMMER Inc.	Hudson (WI), USA	100.00	100.00
5. GRAMMER Wackersdorf GmbH	Wackersdorf, Germany	100.00	100.00
6. GRAMMER CZ s.r.o.	Tachov, Czech Republic	100.00	100.00
7. GRAMMER Japan Ltd.	Tokyo, Japan	100.00	100.00
8. GRAMMER AD	Trudovetz, Bulgaria	90.21	90.21
9. GRAMMER Automotive GmbH	Amberg, Germany	[1]	[1]
10. GRAMMER System GmbH	Amberg, Germany	100.00	100.00
11. GRAMMER Automotive Metall GmbH	Amberg, Germany	100.00	100.00
12. GRAMMER Automotive Slovenija d.o.o.	Slovenji Gradec, Slovenia	100.00	100.00
13. GRAMMER Automotive Española S.A.	Olérdola, Spain	100.00	100.00
14. GRAMMER Industries Inc.	Greenville (SC), USA	100.00	100.00
15. GRAMMER Automotive Puebla S.A. de C.V.	Puebla, Mexico	100.00	100.00
16. GRAMMER Automotive Polska sp. z.o.o.	Bielsko-Biala, Poland	100.00	100.00
17. GRAMMER Seating (Xiamen) Ltd.	Xiamen, China	100.00	100.00
18. GRAMMER Interior (Tianjin) Co. Ltd.	Tianjin, China	100.00	100.00
19. GRAMMER Interior (Changchun) Co. Ltd.	Changchun, China	100.00	100.00
20. GRAMMER Interior (Shanghai) Co. Ltd.	Shanghai, China	100.00	100.00
21. GRAMMER System d.o.o.	Aleksinac, Serbia	100.00	100.00
22. GRAMMER Railway Interior GmbH	Amberg, Germany	100.00	100.00
23. GRAMMER Technical Components GmbH	Kümmersbruck, Germany	100.00	100.00
24. GRAMMER EiA Electronics N.V.	Aartselaar, Belgium	100.00[2]	
2. Proportionately consolidated companies			
1. GRA-MAG Truck Interior Systems LLC	London (OH), USA	50.00	50.00

[1] Merged with GRAMMER AG effective May 1, 2010.
[2] First time consolidation on July 26, 2011.

GRAMMER System GmbH, GRAMMER Wackersdorf GmbH and 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).

Conditions for related party transactions

Sales to and purchases by related parties are conducted at arm's length. 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 for accounts receivable from related parties as of December 31, 2011 (2010: 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 to related parties
Jointly-controlled entities in which the parent is a venturer: GRA-MAG Truck Interior Systems LLC	2011	1,245	0	12,142	42
	2010	720	0	9,821	0

GRA-MAG Truck Interior Systems LLC Limited

GRAMMER AG holds an interest of 50 % in GRA-MAG Truck Interior Systems LLC (GRA-MAG) (2010: 50 %). GRA-MAG had 60 employees as of December 31, 2011 (2010: 48).

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.

30 Additional Information on Financial Instruments

The following table shows the market values and carrying amounts of financial assets and liabilities:

EUR k

	Valuation category acc. to IAS 39	Carrying amount 12/31/11	Balance sheet measures acc. to IAS 39				Balance sheet measures acc. to IAS 17	Fair Value 12/31/11
			Amortized costs	Historical costs	Fair Value recognized in equity	Fair Value recognized in profit or loss		
Assets								
Cash and short-term deposits	LaR	46,749	46,749					46,749
Trade accounts receivable	LaR	137,801	137,801					137,801
Other financial assets								
Loans and receivables	LaR	8,169	8,169					8,169
Receivables from construction contracts	LaR	54,086	54,086					54,086
Financial assets available-for-sale	AfS	541		541				541
Financial assets held-for-trading	FAHfT	0						0
Liabilities								
Trade accounts payable	FLAC	113,879	113,879					113,979
Current and non-current liabilities to banks	FLAC	138,866	138,866					145,583
Other financial liabilities								
Other non-interest-bearing liabilities	FLAC	8,431	8,431					8,431
Liabilities from finance leases	n.a.	975					975	975
Derivatives without hedge relationship	FLHfT	646				646		646
Derivatives with hedge relationship	n.a.	946			946			946
Of which aggregated by valuation category in acc. with IAS 39								
Loans and receivables	LaR	246,805	246,805					246,805
Financial assets available-for-sale	AfS	541		541				541
Financial assets held-for-trading	FAHfT	0						0
Financial liabilities measured at amortized costs	FLAC	261,176	261,176					267,993
Financial liabilities held-for-trading	FLHfT	646				646		646

EUR k

	Valuation category acc. to IAS 39	Carrying amount 12/31/10	Balance sheet measures acc. to IAS 39				Balance sheet measures acc. to IAS 17	Fair Value 12/31/10
			Amortized costs	Historical costs	Fair Value recognized in equity	Fair Value recognized in profit or loss		
Assets								
Cash and short-term deposits	LaR	17,170	17,170					**17,170**
Trade accounts receivable	LaR	138,294	138,294					**138,294**
Other financial assets								
Loans and receivables	LaR	6,420	6,420					**6,420**
Receivables from construction contracts	LaR	48,338	48,338					**48,338**
Financial assets available-for-sale	AfS	592		592				**592**
Financial assets held-for-trading	FAHfT	0						**0**
Liabilities								
Trade accounts payable	FLAC	97,005	97,005					**97,005**
Current and non-current liabilities to banks	FLAC	131,001	131,001					**134,619**
Other financial liabilities								
Other non-interest-bearing liabilities	FLAC	5,496	5,496					**5,496**
Liabilities from finance leases	n.a.	2,642					2,642	**2,642**
Derivatives without hedge relationship	FLHfT	1,490				1,490		**1,490**
Derivatives with hedge relationship	n.a.	0						**0**
Of which aggregated by valuation category in acc. with IAS 39								
Loans and receivables	LaR	210,222	210,222					**210,222**
Financial assets available-for-sale	AfS	592		592				**592**
Financial assets held-for-trading	FAHfT	0						**0**
Financial liabilities measured at amortized costs	FLAC	233,502	233,502					**237,120**
Financial liabilities held-for-trading	FLHfT	1,490				1,490		**1,490**

Because of the short term-nature of cash and short-term deposits, trade accounts receivable and other current receivables, it is assumed that the carrying amounts equate to their fair values.

The fair value of other non-current receivables with remaining terms of over one year equate to the present value of the payments associated with the assets taking account of the prevailing interest rate parameters.

Trade accounts payable and other liabilities usually have short residual maturities. Longer-term trade accounts payable were determined on the basis of the respective yield curves and the risk premium applicable for GRAMMER.

The fair values of liabilities to banks, debenture bond 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.

The following table shows our financial instruments at fair value in the three levels of the fair value hierarchy:

EUR k

2011	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities recognized at fair value				
Derivates				
with hedge relationship	946		946	
without hedge relationship	646		646	

EUR k

2010	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities recognized at fair value				
Derivates				
with hedge relationship	0		0	
without hedge relationship	1,490		1,490	

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 (non-adjusted) prices 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.

The following table shows the gains and losses on financial instruments:

EUR k

	Net income 2011	Net income 2010
Loans and receivables	2,765	−323
Financial assets and liabilities held-for-trading	127	−1,141
Financial liabilities measured at amortized costs	–3,639	4,498
	–747	**3,034**

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.

31 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. In some cases, the Group also hedges against price risks using forward commodity transactions. 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 area of responsibility of the Chief Financial Officer, while the Executive Board bears ultimate responsibility at the highest level. 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 management of 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. In its internal guidelines the Group ruled out trading in derivatives in 2011 and 2010, and does not intend to change this in the future.

Credit risk

Credit risk is defined as the risk of the Group suffering a loss (default risk) because a counterparty fails to fulfill its obligations. The Group guidelines set forth that transactions will only be entered into with creditworthy third parties to reduce the risks of non-performance. As a result of the financial crisis, management of default 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 default risk. In the case of larger transactions, which are not conducted in the country of the respective operating unit, prior approval is to be obtained from Group Finance. There are no significant concentrations of default risks in the Group, because major transactions are balanced as a result of short-term maturity structure and broad customer groups.

Market risk

Market risk refers to the risk that the fair value or future cash flows of financial intruments 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 situations as of December 31, 2011 and 2010. The sensitivity analyses were prepared on the basis of the hedging transactions existing on December 31, 2011, 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 oil are subject to significant fluctuations depending on the market situation. These cannot always be passed on to customers, which results in commodity price risks. To hedge against these risks, the Company endeavors to conclude long-term supply contracts and consolidate volumes as a way 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 of price risks in raw materials procurement reported at the balance sheet date in 2011 or 2010, an no such contracts were concluded in these periods.

Currency risk

As a consequence of its international focus and business activities, the Group is exposed to currency risks. Fluctuations in exchange rates on markets 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. Subject to the provisions of Group guidelines, currency forwards may be concluded to hedge specific foreign currency inflows and outflows amounting to 70 % – 80 % of the exposure.

Cash flow hedges

Hedging instruments recognized directly in equity include currency forwards measured at fair value for hedging of cash flows from transactions in the US, Czech Republic, Poland and Turkey. Conditions for currency forwards designated as hedges are in line with highly probable forecast transactions. Open currency forward positions the Hedging transactions that satisfy the requirements for cash flow hedging are used to hedge against risks of future EUR-denominated revenues of a Group company in the functional currency CZK. These forward transactions with a negative market value of EUR –15 thousand mature during the course of 2012. In the reporting period, there were also currency hedges in place in PLN and TRY. Consequently, in the context of currency hedging, EUR –647 thousand was included directly in equity. Of this amount, EUR –632 thousand was taken to the 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 (2010: 10) is assumed. All other variables remain constant.

The following table shows the sensitivity of consolidated net income before tax 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
2011	+10%	5,343	–1,197
	–10%	–5,341	1,196
2010	+10%	5,099	–1,159
	–10%	–5,093	1,158

	Changes in the price of the TRY	Impact on profit before tax	Impact on equity
2011	+10%	–311	0
	–10%	312	0
2010	+10%	–445	0
	–10%	445	0

	Changes in the price of the CZK	Impact on profit before tax	Impact on equity
2011	+10%	2,431	430
	–10%	–2,432	–351
2010	+10%	1,318	0
	–10%	–1,318	0

	Changes in the price of the PLN	Impact on profit before tax	Impact on equity
2011	+10%	–310	0
	–10%	309	0
2010	+10%	–304	0
	–10%	303	0

	Changes in the price of the MXN	Impact on profit before tax	Impact on equity
2011	+10%	1,591	1,291
	–10%	–1,591	–1,291
2010	+10%	1,105	1,291
	–10%	–1,104	–1,291

Interest rate risk

The Group pursues the strategy of structuring its non-current borrowings on a fixed-rate basis and consequently avoiding the risk of fluctuations in interest rates. For current loans, the market rates in force when the loan is concluded will apply, which means that the interest rate risk is limited to fluctuations in the market when the loan is drawn. For overdrafts, interest is agreed on a rollover basis.

The Group also hedges interest rate risks through the use of interest rate swaps. These hedges aim to ensure that especially short-term risks from changes of market interest rates are subject to as little fluctuation as possible. The nominal amounts of these interest rate derivatives on the reporting date amounted to EUR 21,429 thousand (2010: 29,643). They have a remaining maturity of up to two years (2010: three). The negative market value of EUR 644 thousand (2010: 1,490) is reported under other current financial liabilities. The Company recognizes changes in the market value under the financial result in profit or loss. Accordingly, a net gain of EUR 846 thousand (2010: 192) is recognized in the financial result for fiscal year 2011. With these interest rate swaps, the underlying obligation is economically hedged without satisfaction of the requirements for hedge accounting.

In connection with the issue of the debenture bond in 2011 as part of the financial restructuring in 2011, GRAMMER AG concluded interest rate swaps with a total nominal volume of EUR 43 million to hedge against interest rate changes affecting the variable-rate tranches, which share the residual maturity range of between three and seven years with the underlying transactions. These interest rate swaps qualify as cash flow hedges. The negative market value of EUR 931 thousand is reported under other current financial liabilities. The Company recognizes changes in the market value in accumulated other comprehensive income.

To optimize interest expenses and minimize risk, Group Treasury manages this risk centrally for all companies in the Group. To the extent that this is not limited by country-specific regulations, Group Treasury makes financing available to all divisions and affiliated companies in the form of loans.

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 risk and thus not included in the sensitivity analysis.

- Variable rate primary financial instruments, the payments from which are not designated as underlyings for cash flow hedges against interest rate risks, have an effect on period income and are taken account of in the sensitivity analysis.

- Variable rate primary financial instruments, the payments from which are designated as underlyings 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 (2010: 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 minimum basic rate of interest of 0.000001 % was assumed for derivative financial instruments and otherwise a minimum 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
2011	–50	–257	–850
	+50	356	828
2010	–50	–302	0
	+50	251	0

Liquidity risk

The Group manages liquidity risks by holding appropriate reserves, lines of credit in the amount of EUR 82.1 million (2010: 119.1) with banks and through constant monitoring of forecast and actual cash flows and 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 closed-end leasing agreements. In addition, internal guidelines stipulate a safety margin of EUR 50 million between medium-term loan commitments and net financial liabilities.

The loan agreements governing the Company's borrowing facilities stipulate compliance with various financial results (financial covenants), which must be satisfied in all reporting periods. The most important figures at the reporting date are debt/EBITDA (ratio of net debt to EBITDA) and gearing (ratio of net debt to equity), whereas the syndicated loan in the previous year concentrated on net gearing and net debt (EBITDA to net interest expenses). Calculation of the figures is based on the definitions set forth in the loan contracts. In the context of Group planning, compliance with the agreement terms is continually monitored reported to the creditors on a quarterly basis. If a covenant is violated, the creditors have the right to terminate the agreement for cause.

As of December 31, 2011, the Group had unutilized lines of credit in the amount of EUR 75.4 million (2010: 58.0), 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:

EUR k	Carrying amount	Cashflow		
		2012	2013 – 2015	2016 and thereafter
2011				
Current and non-current financial liabilities				
Debenture bonds	131,430	5,603	88,682	54,520
Bank loans	5,592	5,728	228	0
Overdrafts	1,844	1,844	0	0
Current and non-current trade accounts payable	**113,879**	**110,839**	**3,271**	**223**
Current and non-current other financial liabilities				
Liabilities form finance leases	975	805	242	0
Other original financial liabilities	8,430	2,151	0	6,279
Derivatives				
Interest rate derivates	1,575	532	1,238	121
Currency derivates	17			
Incoming payments		–5,655		
Payments in advance		5,673		
		127,520	93,661	61,143

EUR k	Carrying amount	Cashflow		
		2011	2012 – 2014	2015 and thereafter
2010				
Current and non-current financial liabilities				
Debenture bonds	69,852	3,389	76,779	0
Bank loans/KfW loan	60,370	35,043	30,695	0
Overdrafts	779	779	0	0
Current and non-current trade accounts receivable	**97,005**	**92,415**	**4,630**	**708**
Current and non-current other financial liabilities				
Liabilities form finance leases	2,642	1,494	1,364	0
Other original financial liabilities	5,496	583	99	4,814
Derivatives				
Interest rate derivates	1,490	734	782	0
		134,437	114,349	5,522

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 balance sheet 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.

Other primary financial liabilities totaling EUR 6,279 thousand comprise interest-bearing debt. Based on the contractual terms for redemption, a return is not currently expected until five years have elapsed.

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

In its management of capital, the Group tries to ensure that it achieves both a good credit rating and an equity ratio that is sufficient to support its operating activity and to optimize its value approach. 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. In the new credit facilities the following covenants have been defined: Financial leverage (net financial debt to EBITDA) and gearing ratio (net financial debt to Equity). In the period under review, the Company was able to maintain the conditions set out by third parties for retention of financing.

As a result of the financial crisis, the internal debt corridor has been redefined. The Group targets a safety buffer of 20% for a gearing of one as defined below.

EUR k

	2011	2010
Non-current bank liabilites	129,776	97,852
Current bank liabilities	9,090	33,149
Liabilities from finance lease	975	2,642
Cash and securities	–46,749	–17,170
Net financial liabilities	93,092	116,473
Equity before minority interests	210,691	172,638
	117,599 44%	56,165 67%

32 Events after the Balance Sheet Date

The following events occurred up to March 19, 2012 (date of release for submission to the Supervisory Board):

Chief Financial Officer, Mr. Alois Ponnath will leave GRAMMER AG at the close of the Annual General Meeting on May 23, 2012. No decisions have yet been made with respect to Mr. Ponnath's successor.

33 Other Information

Employees

On average, GRAMMER Group had the following numbers of employees:

	2011	2010
Wage-earning employees	6,620	5,950
Salaried employees	1,809	1,795
Total	8,429	7,745

The individual Group divisions had the following numbers of employees on the December 31 balance sheet date:

	2011	2010
Seating Systems	3,377	2,744
Automotive	5,148	5,034
Central Services	201	177
Total	8,726	7,955

Auditors' fees within the meaning of section 314 (1) No. 9 of the German Commercial Code

Fees for the auditor of the consolidated financial statements recognized as expenses in the reporting year amounted to EUR 333.8 thousand (2010: 295) for the audit, EUR 51.3 thousand (2010: 40) for other audit and assessment services and EUR 5.9 thousand (2010: 157) for other services.

Executive Board and Supervisory Board remuneration

EUR k

	2011	2010
Total remuneration paid to the Executive Board amounted to	2,050	1,495
The Supervisory Board received total remuneration of	477	201

Of the total Executive Board remuneration, EUR 441 thousand (2010: 286) are attributable to performance-related components. These, in turn, are affected by performance-related remuneration from the previous year totaling EUR 76 thousand (2010: -100).

Of the total Supervisory Board remuneration, EUR 0.0 thousand (2010: 0.0) are attributable to performance-related components.

Individual remuneration paid to the members of the Executive Board was as follows in fiscal year 2011:

EUR k

	Non-performance-related components	Performance-related components	Components providing long-term incentives	Total
Hartmut Müller	547	198	163	908
Alois Ponnath	368	149	109	626
Manfred Pretscher	326	94	96	516
	1,241	**441**	**368**	**2,050**

For the period served on the Executive Board in fiscal year 2010, former CEO, Dr. Rolf-Dieter Kempis, received a belated payment of EUR 157 thousand in 2011.

A further EUR 267 thousand (2010: 258) was paid to former members of the management and the Executive Board and their surviving dependents.

In accordance with IAS 19, EUR 3,583 thousand (2010: 3,482) were recorded for pension payments to former members of the management and the Executive Board and their surviving dependents.

Moreover, current service cost for allocations to pension provisions arose for active members of the Executive Board in the amount of EUR 100.9 thousand (2010: 57.4): of this, EUR 29.7 thousand is for Mr. Alois Ponnath, EUR 34.1 thousand for Mr. Hartmut Müller and EUR 37.1 thousand for Mr. Manfred Pretscher.

Individual remuneration paid to the members of the Supervisory Board was as follows:

EUR k

	Non performance related components	Meeting fees	Total
Dr.-Ing. Klaus Probst	60.0	12.0	72.0
Joachim Bender	45.0	8.0	53.0
Dr.-Ing. Bernd Blankenstein[1]	15.0	3.0	18.0
Martin Bodensteiner[2]	20.9	3.0	23.9
Udo Fechtner[3]	7.5	4.0	11.5
Dipl.-Betriebswirt (FH) Wolfram Hatz	30.0	12.0	42.0
Dipl.-Physiker Frank Himmelhuber[4]	26.3	3.0	29.3
Lic. Oec. HSG Ingrid Hunger[5]	10.8	2.0	12.8
Dipl.-Kauffrau Tanja Jacquemin	30.0	4.0	34.0
Dipl.-Betriebswirt (FH) Harald Jung[6]	0.7	0.0	0.7
Anton Kohl	30.0	4.0	34.0
Dipl.-Betriebswirt (FH) Georg Liebler	30.0	7.0	37.0
Wolfgang Rösl	30.0	7.0	37.0
Dr.-Ing. Peter Stehle	30.0	4.0	34.0
Dr. Bernhard Wankerl	30.0	8.0	38.0
	396.2	**81.0**	**477.2**

[1] Member until June 30, 2011
[2] Member from April 20, 2011
[3] Member until March 31, 2011
[4] Member until November 15, 2011
[5] Member from August 22, 2011
[6] Member from December 22, 2011

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 2011, the Supervisory Board was not paid any performance-based remuneration.

34 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 2011 Annual Report and are permanently available on the company website under www.grammer.com/en/about-grammer/corporate-governance.

Boards

Executive Board

▷ M. Sc. BWL Dipl.-Ing. (FH) Hartmut Müller, Darmstadt
Chief Executive Officer

▷ Dipl.-Kaufmann Alois Ponnath, Kümmersbruck

▷ Dipl.-Ing. (FH) Manfred Pretscher, Meine

Supervisory Board

▷ **Dr.-Ing. Klaus Probst, Heroldsberg**
Chairman

▷ **Joachim Bender, Sulzbach-Rosenberg**
Deputy Chairman/Employee Representative

▷ **Dr.-Ing. Bernd Blankenstein, Aachen**
Member of the Supervisory Board until 06/30/2011

▷ **Martin Bodensteiner, Freudenberg**
Employee Representative
Member of the Supervisory Board as of 04/20/2011

▷ **Udo Fechtner, Kümmersbruck**
Employee Representative
Member of the Supervisory Board until 03/31/2011

▷ **Dipl.-Betriebswirt (FH) Wolfram Hatz, Ruhstorf a. d. Rott**

▷ **Dipl.-Physiker Frank Himmelhuber, Kümmersbruck**
Employee Representative
Member of the Supervisory Board until 11/15/2011

▷ **Lic. oec. HSG Ingrid Hunger, Lohr am Main**
Member of the Supervisory Board as of 08/22/2011

▷ **Dipl.-Kauffrau Tanja Jacquemin, Frankfurt a. M.**
Employee Representative

▷ **Dipl.-Betriebswirt (FH) Harald Jung, Nabburg**
Employee Representative
Member of the Supervisory Board as of 12/22/2011

▷ **Anton Kohl, Hahnbach**
Employee Representative

▷ **Dipl.-Betriebswirt (FH) Georg Liebler, Möglingen**

▷ **Dr.-Ing. Peter Stehle, Bad Homburg**

▷ **Dr. Bernhard Wankerl, Schwandorf**

▷ **Wolfgang Rösl, Sulzbach-Rosenberg**
Employee Representative

Executive Board member professions and other offices within the meaning of section 285 (1) no. 10 HGB:

Executive Board:

▷ **M. Sc. BWL Dipl.-Ing. (FH) Hartmut Müller**
Chief Executive Officer

– Member of the Board of Directors der GRA-MAG Truck Interior Systems LLC, London (OH)/USA (until 07/31/2011)
– Chairman of the Supervisory Board of the GRAMMER AD, Trudovetz/Bulgaria
– Chairman of the Board of Directors of GRAMMER Industries Inc., Greenville (SC)/USA (until 10/01/2011)
– Chairman of the Board of Directors of GRAMMER Inc., Hudson (WI)/USA (until 09/28/2011)
– Chairman of the Board of Directors of GRAMMER Koltuk Sistemleri Sanayii ve Ticaret A.S., Bursa/Turkey (until 04/14/2011)
– Chairman of the Board of Directors of GRAMMER Interior (Tianjin) Co. Ltd., Tianjin/China (until 03/20/2011)
– Member of the Supervisory Board of GRAMMER Interior (Changchun) Co. Ltd., Changchun/China
– Member of the Supervisory Board of GRAMMER Interior (Tianjin) Co. Ltd., Tianjin/China (as of 03/21/2011)
– Chairman of the Board of Directors of GRAMMER Automotive Puebla S.A. de C.V., Puebla/Mexico
– Chairman of the Board of Directors of GRAMMER Automotive Española S.A., Olèrdola/Spain (until 03/31/2011)
– Member of the Supervisory Board of GRAMMER Interior (Shanghai) Co. Ltd., Shanghai/China
– Chairman of the Board of Directors of GRAMMER Japan Ltd. (until 11/30/2011)
– Member of the Supervisory Board of CVC Commercial Vehicle Cluster GmbH, Kaiserslautern (until 12/31/2011)

▷ **Dipl.-Kaufmann Alois Ponnath**
Member of the Executive Board

– Member of the Supervisory Board of GRAMMER AD, Trudovetz/Bulgaria
– Deputy Chairman of the Board of Directors of GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S., Bursa/Turkey
– Member of the Board of Directors of GRAMMER Interior (Tianjin) Co. Ltd., Tianjin/China (until 03/20/2011)
– Chairman of the Board of Directors of GRAMMER Interior (Changchun) Co. Ltd., Changchun/ China
– Chairman of the Board of Directors of GRAMMER Interior (Shanghai) Co. Ltd., Shanghai/China
– Member of the Board of Directors of GRAMMER Seating (Xiamen) Ltd., Xiamen/China

– Member of the Board of Directors of GRA-MAG Truck Interior Systems LLC, London (OH)/USA

▷ **Dipl.-Ing. (FH) Manfred Pretscher**
Member of the Executive Board
– Member of the Board of Directors of GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S., Bursa/Turkey (until 04/14/2011)
– Chairman of the Board of Directors of GRAMMER Koltuk Sistemleri Sanayi ve Ticaret A.S., Bursa/ Turkey (as of 04/15/2011)
– Member of the Board of Directors of GRAMMER Industries Inc., Greenville (SC)/USA (until 10/01/2011)
– Chairman of the Board of Directors of GRAMMER Industries Inc., Greenville (SC)/USA (as of 10/02/2011)
– Chairman of the Board of Directors of GRAMMER Inc., Hudson (WI)/USA (as of 09/29/2011)
– Chairman of the Board of Directors of GRAMMER Interior (Tianjin) Co. Ltd., Tianjin/China (as of 03/21/2011)
– Chairman of the Board of Directors of GRAMMER Japan Ltd. (as of 12/01/2011)
– Member of the Board of Directors of GRA-MAG Truck Interior Systems LLC, London (OH)/USA (as of 08/01/2011)

Supervisory Board:

▷ **Dr.-Ing. Klaus Probst**
Engineer
Chief Executive Officer of LEONI AG
– Member of the Advisory Board of Lux-Haus GmbH & Co. KG, Georgensgmünd
– Member of the Supervisory Board of Zapp AG, Ratingen
– Member of the Advisory Board of Deutschen Bank AG, München, (region south)

▷ **Joachim Bender**
1st Chairman of IG Metall Amberg
– Deputy Chairman of the Supervisory Board of Kennametal GmbH, Fürth
– Deputy Chairman of the Supervisory Board of Kennametal Holding GmbH, Fürth
– Deputy Chairman of the Supervisory Board of Kennametal Hertel Europe Holding GmbH, Fürth

▷ **Dr.-Ing. Bernd Blankenstein**
Engineer, Retired
former Chief Executive Officer of GRAMMER AG
(Member of the Supervisory Board until 06/30/2011)
- No further offices

▷ **Dipl.-Betriebswirt (FH) Wolfram Hatz**
Independent Businessman, Executive Director of Motorenfabrik Hatz GmbH & Co. KG as well as of Hatz Holding GmbH
- Member of the Advisory Board of Commerzbank AG, Frankfurt am Main

▷ **Lic. Oec. HSG Ingrid Hunger**
Managing Partner and Management Spokesperson of Walter Hunger KG in Lohr a. Main/Germany
(Member of the Supervisory Board as of 08/22/2011)
- No further offices

▷ **Dipl.-Betriebswirt (FH) Georg Liebler**
former Member of the Excutive Board of Kolbenschmidt Pierburg AG, Consultant, owner of Georg Liebler consulting services
- Member of the Supervisory Board of Golfclub Monrepos AG, Ludwigsburg

▷ **Dr.-Ing. Peter Stehle**
Dipl.-Ingenieur
Managing Partner of SYN GmbH
– Member of the Supervisory Board of Norma GmbH, Maintal (until 05/31/2011)
– Member of the Supervisory Board of Prym GmbH, Stolberg (until 10/31/2011)
– Member of the Advisory Board of Spheros GmbH, Stockdorf
– Member of the Advisory Board of Zeitfracht GmbH, Berlin
– Member of the Board of Directors of Stulz Holding GmbH, Hamburg

▷ **Dr. Bernhard Wankerl**
Attorney, law firm Dr. Wankerl and colleagues
– No further offices

▷ **Martin Bodensteiner**
Supplier Development Commodity Coverings
(Member of the Supervisory Board as of 04/20/2011)
– No further offices

▷ **Udo Fechtner**
Tool maker
(Member of the Supervisory Board until 03/31/2011)
– No further offices

▷ **Dipl.-Physiker Frank Himmelhuber**
Vice President Research & Development
(Member of the Supervisory Board until 11/15/2011)
– No further offices

▷ **Dipl.-Kauffrau Tanja Jacquemin**
Political Secretary
– No further offices

▷ **Dipl-Betriebswirt (FH) Harald Jung**
Director Division Controlling Consoles
(Member of the Supervisory Board as of 12/22/2011)
– No further offices

▷ **Anton Kohl**
Foreman
– No further offices

▷ **Wolfgang Rösl**
Industrial Electrician
– Member of the advisory board of AOK, Amberg (as of 12/01/2011)

Auditors' Report

We issued the following opinion with respect to the Consolidated Financial Statements and the Consolidated Management Report:

"We have audited the consolidated financial statements prepared by Grammer Aktiengesellschaft, Amberg, comprising the income statement, the statement of comprehensive income, the statement of financial positions, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the fiscal year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the Group management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the parent company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and on 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 Institute of Public Auditors in Germany (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 German 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 internalcontrol 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 those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report.

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 findings of our audit, the consolidated financial statements comply with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. 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, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schuberth	Helgert
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 2012

GRAMMER AG
Executive Board

GRAMMER AG – Income Statement[1] for the fiscal year ending December 31

EUR k	2011	2010
Revenue	509,256	413,193
Increase (2010: decrease) in finished goods and work in progress	1,058	–2,499
Other own work capitalized	612	898
	510,926	**411,592**
Other operating income	8,940	12,523
Material costs	382,174	269,604
Personnel expenses	67,225	100,938
Depreciation and amortization	10,260	9,110
Other operating expenses	50,104	47,070
	10,103	**–2,607**
Earnings from participations	24,011	9,996
of which from affiliated companies EUR k 24,011 (2010: 9,996)		
Income from profit and loss transfer agreements	27	36
of which from affiliated companies EUR k 27 (2010: 36)		
Income from other investments and long-term loans	3,545	3,421
of which from affiliated companies EUR k 3,114 (2010: 2,955)		
Other interest and other income	2,104	1,672
of which from affiliated companies EUR k 1,926 (2010: 1,575)		
Amortisation of financial assets and investments classified as current assets	0	21
Expenses from the transfer of losses	9,495	3,573
of which from affiliated companies EUR k 9,495 (2010: 3,573)		
Interest and other expenses	12,917	13,920
of which to affiliated companies EUR k 199 (2010: 208)		
Result from ordinary activities	**17,378**	**–4,996**
Extraordinary income	0	16,176
Extraordinary expenses	0	16,591
Extraordinary result	0	–415
Income taxes	2,921	543
Other taxes	115	238
Net profit/net loss	**14,342**	**–6,192**
Loss carry-forward	–26,009	–19,817
Releases from the reserve for own shares	0	1,997
Releases from other revenue reserves	24,811	0
Allocation to other revenue reserves	0	–1,997
Net retained profit/net retained loss	**13,144**	**–26,009**

[1] Financial statements in accordance with HGB

GRAMMER AG – Balance Sheet[1] for the fiscal year ended December 31

ASSETS

EUR k

	2011	2010
A. Fixed assets		
I. Intangible assets	5,636	7,431
II. Property, plant and equipment	38,110	37,922
III. Financial assets	138,203	131,733
	181,949	**177,086**
B. Current assets		
I. Inventories	38,216	42,563
II. Receivables and other assets	145,003	133,333
III. Cash on hand and bank balances	25,813	57
	209,032	**175,953**
C. Deferred items	381	1,695
D. Positive difference from asset allocation	222	0
Total assets	**391,584**	**354,734**

EQUITY AND LIABILITIES

EUR k

	2011	2010
A. Equity		
I. Subscribed capital	29,555	26,868
Own shares	–845	–845
Issued capital (conditional capital EUR k 13,434; 2010: 13,434)	28,710	26,023
II. Capital reserve	74,651	58,236
III. Revenue reserves	1,183	25,995
IV. Net profit (2010: net loss)	13,144	–26,009
	117,688	**84,245**
B. Provisions		
1. Pension provisions	49,166	60,845
2. Provisions for taxation	0	2,214
3. Other provisions	26,156	25,924
	75,322	**88,983**
C. Liabilities		
1. Liabilities to banks	130,001	127,060
2. Prepayments received	3,478	6,679
3. Trade accounts payable	12,992	18,240
4. Liabilites to related parties	45,456	24,736
5. Other liabilities	6,647	4,791
	198,574	**181,506**
Total equity and liabilities	**391,584**	**354,734**

[1] Financial statements in accordance with HGB

GRAMMER Group Five-year Overview according to IFRS

in EUR m	2011	2010	2009	2008	2007
Group revenue	**1,093.5**	**929.7**	**727.4**	**1,007.0**	**998.1**
Automotive revenue	680.3	610.2	495.5	637.6	657.7
Seating Systems revenue	438.0	341.9	247.1	390.0	363.3
Income statement					
Gross profit	142.5	119.6	76.0	129.8	126.7
EBIT	49.4	32.9	–23.9	32.0	32.1
EBIT margin (in %)	4.5	3.5	–3.3	3.2	3.2
Financial result	–15.1	–12.3	–7.6	–12.4	–9.3
Profit/loss (–) before tax	34.3	20.6	–31.5	19.6	22.8
Income taxes	–12.2	–4.2	3.3	–5.4	–5.3
Net profit/loss (–)	22.1	16.3	–28.2	14.1	17.6
Balance sheet					
Total assets	625.2	559.4	500.4	481.0	497.5
Non-current assets	260.6	245.9	228.0	216.7	201.6
Current assets	364.6	313.5	272.4	264.3	296.0
Equity	211.2	173.1	151.0	173.0	184.7
Equity ratio (in %)	34	31	30	36	37
Net financial debt	92.1	113.8	106.2	80.2	69.9
Cash flow statement					
Capital expenditure (without M&A)	37.6	38.1	32.7	39.9	34.6
Depreciation and amortization	27.5	26.3	26.5	23.4	23.5
Cash flow from operating activities	58.0	38.0	1.7	40.8	38.6
Employees					
Annual average	8,429	7,745	7,474	9,493	9,326
thereof in Germany	2,177	2,147	2,354	2,682	2,754
thereof outside Germany	6,252	5,598	5,120	6,811	6,572
Personnel expenses	229.6	208.4	199.1	238.7	232.0
Key share data					
Share price at year-end (XETRA, in EUR)	13.02	18.30	6.05	6.90	16.02
Market capitalization at year-end (in EUR m)	150.3	192.1	63.5	72.4	168.1
Dividend (in EUR)	0.40*	0.00	0.00	0.00	1.00
Earnings per share (in EUR)	2.02	1.60	–2.77	1.38	1.72

* proposal

Financial Calender 2012 and Trade Fair Date

Important dates for shareholders and analysts

Annual Report 2011	03/29/2012
Annual analyst and press conference fiscal year 2011	03/29/2012
Interim Report, first quarter 2012	05/09/2012
Annual General Meeting 2012 Location: ACC (Amberger Congress Centrum), 92224 Amberg	05/23/2012
Interim Report, second quarter and first half-year 2012	08/08/2012
Interim Report, third quarter 2012	11/07/2012

Important trade fair dates

Busworld 2012, Istanbul, Turkey	04/19 – 04/21/2012
Innotrans 2012, Berlin	09/18 – 09/21/2012
IAA Nutzfahrzeuge 2012, Hanover	09/20 – 09/27/2012
IZB 2012, Wolfsburg	10/10 – 10/12/2012
GIE+EXPO 2012, Louisville, USA	10/24 – 10/26/2012
METS 2012, Amsterdam, The Netherlands	11/13 – 11/15/2012
Bauma China 2012, Shanghai, China	11/27 – 11/30/2012

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Imprint

Published by
GRAMMER AG
P.O. Box 14 54
D-92204 Amberg
Germany

Date of publication
March 29, 2012

Concept, Artwork, Layout
Kirchhoff Consult AG, Hamburg

Printed by
Druckerei Frischmann, Amberg

Translated by
THINKFAST Text and Translation
Service, Frankfurt

The Annual Report of GRAMMER Group is
published in German and English.

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