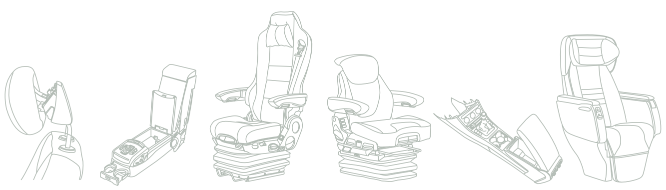
GRAMMER

First Half Year

January to June 2010



Key Figures[1)]

in EUR m	Q2 2010	Q2 2009	01 – 06 2010	01 – 06 2009
Group revenue	241.5	169.9	444.5	341.7
Automotive revenue	159.5	116.8	295.9	221.5
Seating Systems revenue	87.8	56.4	159.6	125.9
Income statement				
EBITDA	18.0	–4.8	27.8	–7.1
EBITDA margin (in %)	7.4	–2.8	6.2	–2.1
EBIT	11.4	–10.9	15.0	–19.4
EBIT margin (in %)	4.7	–6.4	3.4	–5.7
Profit/loss (–) before income taxes	9.4	–12.4	11.0	–22.4
Net profit/loss (–)	7.8	–12.9	7.9	–22.8
Statement of financial position				
Total assets	580.7	475.7	580.7	475.7
Equity	166.3	155.2	166.3	155.2
Equity ratio (in %)	29	33	29	33
Net financial debt	115.8	95.4	115.8	95.4
Gearing (in %)	70	61	70	61
Investments	7.1	5.7	15.6	14.5
Depreciation and amortization	6.6	6.1	12.8	12.3
Employees (June 30)			7,749	7,320
Key share data			June 30, 2010	June 30, 2009
Share price (Xetra closing price, in EUR)			10.38	5.90
Number of shares			10,495,159	10,495,159
Market capitalization (in EUR m)			108.9	61.9

1) according to IFRS

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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 (tractors, construction machinery, forklifts), trucks, buses and trains.

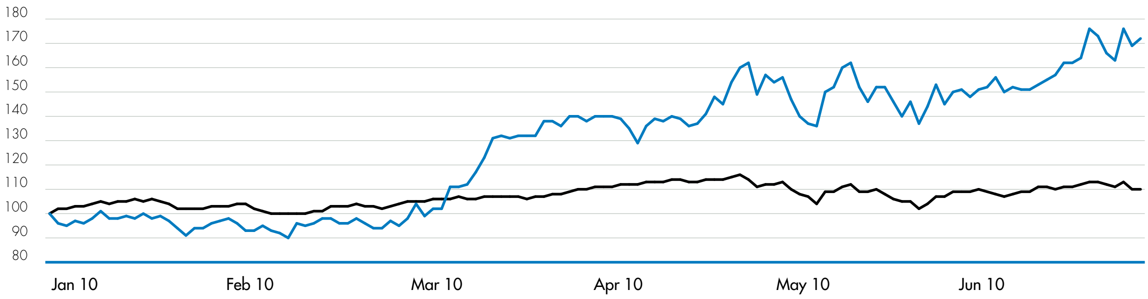
Our Seating Systems division comprises the truck and offroad seat segments as well as train and bus seating. In the Automotive division, we supply headrests, armrests, center console systems and integrated child safety seats to premium automakers and automotive system suppliers.

GRAMMER is represented in 17 countries worldwide with a workforce of more than 7,700 employees across its 23 fully consolidated subsidiaries. GRAMMER shares are listed in the SDAX segment of the German Stock Exchange, and are traded on the Munich and Frankfurt stock exchanges, via the Xetra electronic trading platform and on the OTC markets of the Stuttgart, Berlin and Hamburg stock exchanges.

COMPANY PROFILE △

GRAMMER Share

GRAMMER share and SDAX Performance Index – January to June 2010 (in %)



Closing price as of December 31, 2009 = 100 %

— GRAMMER AG
— SDAX Performance Index

The DAX and SDAX in positive territory

In the first half year of 2010, Germany's DAX stock market index rose 0.14 % to 5,966 points, proving to be extremely robust in a very volatile environment as compared to other indices. The Dow Jones Industrial Average and the Nikkei closed out the first six months in negative territory. During the same period, the SDAX also saw positive development, registering a gain of 10.01 %.

GRAMMER share clearly beats SDAX in the first half year

As early as the first quarter of 2010, the GRAMMER share was performing considerably better than the DAX and SDAX. Contributing factors included the extension of our line of credit and positive analyst recommendations. This development continued in the second quarter. In June, the stock price rose once again above the 10-Euro mark. Starting from a closing price of EUR 6.05 (Xetra) on December 30, 2010, the GRAMMER share price gained nearly 72 %, or EUR 4.33 from January through June 2010, to close at EUR 10.38. The primary triggers of this beneficial effect on GRAMMER's stock were the recovery in the automotive industry due to strong foreign demand and the fast turnaround after the measures implemented by the Company last year.

Investor Relations

An open dialog and transparent communication with all target groups form the foundations of our investor relations. During the second quarter, we continued to cultivate close contact and regular exchanges with investors and analysts.

GRAMMER also took advantage of several road shows in some of Europe's key financial centers such as Paris, Zurich, and London to make new contacts among international investors. Discussions focused on the presentation and explanation of our corporate strategy and the potential for the GRAMMER share.

More banks began covering GRAMMER's stock in the second quarter, including Bankhaus Lampe, with a buy recommendation and a target price of 18.00. At the GRAMMER AG Shareholders' Meeting in Amberg, the Executive Board discussed the 2009 fiscal year and the outlook, as well as the strategic orientation of the Company.

The share price jumped in reaction to the announcement of the preliminary figures for the first six months on July 22, 2010 and the increase in earnings guidance for full-year 2010.

Shareholder structure

In June 2010, GRAMMER AG received notification that IPConcept Fund Management S.A. (Luxembourg) holds 3.20 % of voting rights in the Company.

Axxion S.A., based in Munsbach, Luxembourg, holds 5.547 % and Electra QMC Europe Development Capital Funds plc in Dublin, Ireland owns 10.001 % of the shares of GRAMMER AG. According to a notification sent to GRAMMER AG, POLYTEC Invest GmbH, based in Geretsried, Germany, holds 9.59 %. Pursuant to section 22 (1) sentence 1 number 1 of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), these shares are to be attributed in their entirety to POLYTEC Holding AG. In October 2009, GRAMMER AG received notification that the total percentage of voting rights held by Wynnefield Partners Small Cap Value L.P. is 4.05 %. This means that the mathematical free float of the share is 67.6 %.

GRAMMER Group in the first half year of 2010

Strong positive trend in Revenue and Earnings

In the first six months of 2010, GRAMMER Group experienced a strong increase in revenue in both divisions, which was triggered for one by positive economic conditions and for another by new production starts. Consolidated group revenue rose by 30.1 % to EUR 444.5 million (01 – 06 09: 341.7). At EUR 241.5 million, second quarter revenue was 42.1 % higher than in the same period of the previous year (2009: 169.9). Meeting expectations, group EBIT also increased significantly on the heels of the restructuring measures, totaling EUR 15.0 million for the six month period (01 – 06 09: -19.4). For the second quarter alone, operating profit of EUR 11.4 million was also substantially higher, which represented an increase during the quarter, following the severe loss of the previous year (2009: -10.9).

Revenue and Earnings

Global economy growing

Over the past few months, the global economy has been recovering more quickly than anticipated, spurred on, for instance, by extensive government stimulus programs. On negative side are the high national debt levels among industrialized nations, the fear of deflation in the United States and overall slower growth in China.

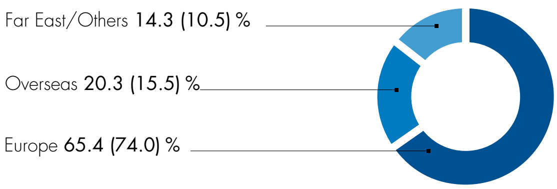
In the United States, contradictory signals are still being seen. On the one hand, industrial production is increasing more than anticipated, but the Consumer Confidence Index fell from 62.7 points in May to 52.9 points in June, as fewer new jobs were created than expected in June.

In Asia's emerging markets, economic growth continued to accelerate during the first few months of 2010. Measures by the government caused growth in China to slow down somewhat. The economy picked up during the first quarter of 2010, growing by 11.9 %, but gross domestic product rose by only 10.3 % in the second quarter. For the six months as a whole, this amounts to an increase of 11.1 %.

Europe is likewise enjoying growth. In the Eurozone countries, industrial production increased by 0.9 % month over month in May. In the first six months, the ifo Economic Climate Indicator for Europe also rose slightly.

Germany has recovered more quickly from the economic crisis than had first been anticipated as well, and analysts are forecasting that gross domestic product growth in the second quarter of 2010 will be prove to be considerably higher than in the first quarter of 2010. An increase of 0.2 % was recorded for the first quarter of 2010. Exports have risen particularly strongly during the last few months, and in May the figures were a full one-third higher than in the same month of the previous year. Another result from this situation is that, in Germany, demand for employees has recovered after experiencing a drop of crisis proportions. In June, the unemployment rate fell from 7.7 % to 7.5 %.

Revenue by regions (previous year in brackets)



in EUR m

	01 – 06 2010	01 – 06 2009
Far East/Others	63.4	35.9
Overseas	90.4	52.9
Europe	290.7	252.9
Total	444.5	341.7

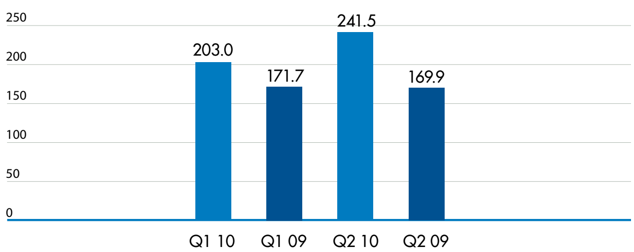
Group revenues considerably higher year-over-year

In the current overall economic environment, group revenue of EUR 444.5 million for the period to June 30, 2010 was significantly higher in comparison to the previous year (01 – 06 09: 341.7). The positive revenue trend from the first quarter thus continued, and revenues increased once more during the second quarter in both divisions. The increase affected all regions, but particularly the Far East/Rest of World region with EUR 63.4 million (01 – 06 09: 35.9), the Overseas region with EUR 90.4 million (01 – 06 09: 52.9) and Europe with EUR 290.7 million (01 – 06 09: 252.9).

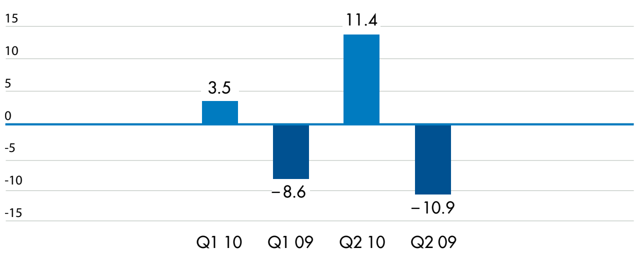
The substantial increases in the Automotive division, especially in Europe, were the result of the startup of production of certain products. In China and the United States in particular, market performance was particularly positive. A distinct recovery was experienced by the Seating Systems division in Europe as well, which in addition to the boom markets of China and Brazil has resulted in stronger growth. After the heavy decline in the second quarter of last year, the offroad market showed a strong tendency toward recovery, especially in Europe. The increasing impetus from exports led to an above-average increase for the Seating Systems division and contributed to the stabilization of demand at a high level. In both divisions, better sales figures were achieved overseas and the positive trend continued due to the strength of the dollar and the improving US economy. In Brazil, the markets continued to develop very advantageously following last year's drop in sales. The first signs of growth have been seen here, but the market bears very careful further observation. In Asia, revenue development over the first six months of 2010 was again higher year-over-year in both divisions.

Consolidated earnings continue in a positive direction
Consolidated earnings before interest and taxes (EBIT) continued the successful trend from the first quarter of 2010 and were influenced positively by the measures aimed at handling the crisis and by the restructuring. Consequently, the Company reported earnings of EUR 15.0 million in the first six months, after recording a loss in the same period last year (01 – 06 09: -19.4). In the second quarter, operating profit rose sharply to EUR 11.4 million (2009: -10.9), providing an impressive demonstration of the turnaround. The restructuring measures are beginning to have an effect, and together with the revenue increase in the Seating Systems division, which followed the sharp fall-off in the second quarter of 2009, facilitated the significant growth in the second quarter. But the operating results will continue to be influenced by the second stage of restructuring measures introduced by GRAMMER AG at the beginning of the year, as well as by the high level of currency volatility. Due to the crisis in Greece, the Euro dropped sharply against almost all currencies, but thanks to our internationally diverse organization, this had a positive effect on our results.

Group revenue development by quarter (in EUR m)



Group EBIT development by quarter (in EUR m)



Automotive Division

Asian and American car markets booming
After an exceedingly difficult year in 2009, demand for passenger cars continues to rise and the industry's recovery is progressing apace. But the growth trend is varied throughout the major car markets. While the markets in Europe declined during the second quarter, the markets in Asia and the United States continued to grow.

In the United States, increased demand is still evident but was somewhat weaker in June due to negative consumer sentiment among Americans and economic uncertainty. During the first six months, 17 % or 5.6 million cars and light trucks (vans, pick-ups, SUVs) were registered for the first time. Over the year-to-date, German car makers in particular have been selling very well, and have seen an increase of 18 %.

The rapid growth of the Chinese car market has continued unabated. During the first six months, 5.4 million new vehicles were registered in China – that's 50 % more than in the previous year – although growth slowed to 19 % in June.

More vehicles were registered for the first time during the first six months in Japan as well, with a rise of 23 % to 2.3 million cars.

The Indian market was also very dynamic in the first six months of the year. Here, 31 % more new vehicles were registered compared to 2009.

In Brazil, the figures for new registrations declined over the past few months after measures by the government to boost sales in this sector expired in March of 2010. Nevertheless, there was still a 7 % increase during the first six months as compared to the preceding year.

The Russian automotive market registered a 25 % drop during the first quarter, but the second quarter was somewhat more positive thanks to the environmental bonus; the market enjoyed an increase in new registrations of nearly 30 %. For the six months as a whole, this resulted in an increase of 3 % year-over-year.

The situation in the Western European car market remains difficult. The primary causes are economic uncertainties and the discontinuation of the environmental rebates in numerous countries. However, a 2 % increase, or 7.1 million new registrations, was still achieved during the first six months.

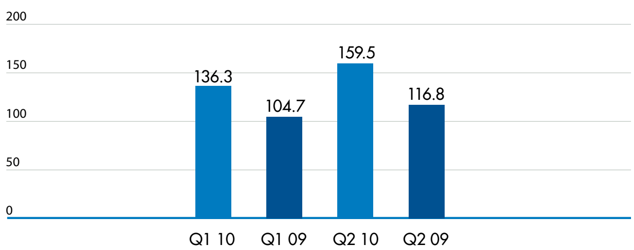
In Germany, 1.47 million new vehicles were registered during the six-month period. This equates to a drop of 29 % compared to the high numbers in the previous year, which was influenced by the environmental bonus. This was accompanied by a significant shift in the distribution of market shares. While 2009 saw demand primarily for smaller and less expensive vehicles resulting from the subsidies, this segment lost market shares in the first six months of 2010. By contrast, premium class cars gained market shares. In 2009, manufacturers of premium vehicles were not profiting from the so-called 'scrap bonus', which is why they are not losing market shares due to its expiration. OEMs are benefiting from the increased demand, and this is in turn filtering down to suppliers.

Furthermore, the German automotive industry benefited from strong demand in other countries. Passenger car exports increased by 44 % during the first six months. As a consequence, domestic production among automakers rose during this period by 23 %, to 2.8 million vehicles.

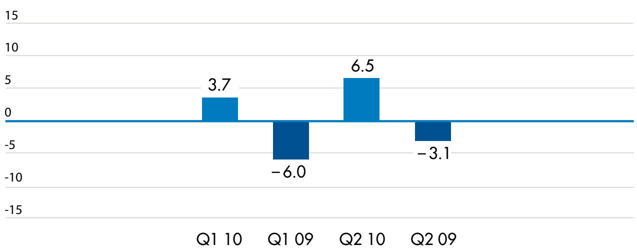
Automotive business marked by production startups and rising revenue

The performance of our Automotive division during the first six months of 2010 was marked by production startups and, in comparison to the same quarter of the previous year, stronger revenue. Demand from our customers for mid-sized and premium vehicles continued to rise, while export markets gained strength, which positively influenced revenue. The strengthening economic situation in Europe and the United States, and the related impact on sales resulted in higher revenue during the first six months of 2010, which rose by 33.6 % or EUR 74.4 million year-over-year (01 – 06 09: 221.5), reaching EUR 295.9 million. Revenue rose to EUR 159.5 million in the second quarter (2009: 116.8), continuing the positive trend from the first quarter of 2010. Our Automotive business stabilized thanks to production starts and growth in the United States. Thanks to the developments outlined and the restructuring measures carried out in the previous year, operating profit increased in the first six months to EUR 10.2 million (01 – 06 09: -9.1). In the second quarter, EUR 6.5 million was generated, in contrast to the same quarter of the previous year during which a loss of EUR -3.1 million was recorded. The result is a significant improvement of EUR 9.6 million, which can be attributed to the operational adjustments and restructuring measures implemented. Overall, our performance here demonstrated that the measures were implemented properly and in good time.

Automotive revenue development by quarter (in EUR m)



Automotive EBIT development by quarter (in EUR m)



Seating Systems Division

Demand for commercial vehicles on the rise again

The commercial vehicle industry has stabilized worldwide after having bottomed out. Meanwhile, demand is increasing again in every region.

In the United States, registration figures from January through June rose by about 10 %.

The commercial vehicle market in Brazil has also been recovering, with a market that grew by more than 50 % during the first six months. China also experienced double-digit growth rates.

Figures for new registrations also rose in Europe. During the first six months of 2010, a total of 887,862 commercial vehicles were registered for the first time. This amounts to an increase of 4.3 % in a year-over-year comparison.

In Germany, 129,080 commercial vehicles were registered for the first time over the first six months. This is equivalent to an increase of 7 % compared to 2009. For commercial vehicles up to 6 t, the increase was 12 %, while heavy vehicles (over 6 t) experienced a decline of 5 %.

Export figures for German manufacturers were especially pleasing, achieving 57 % growth over the previous year. There was an increase of 79 % for light commercial vehicles, to 79,920 vehicles. Heavy commercial vehicles saw a 22 % increase in exports, to 26,720.

Similarly, production figures also experienced a positive trend. Increases of 41 % were reported in comparison to the weak levels in crisis year 2009. For light commercial vehicles, production rose by a hefty 52 %.

Performance in the agricultural machinery segment varied around the world. In Brazil and the United States, the first six months saw market growth, whereas investments in Western Europe were lower. In Germany, fewer tractors were registered for the first time in the first six months of 2010 than in the previous year. In June alone, the number of registrations fell by roughly 16 %.

The bauma trade fair for construction machinery, vehicles and equipment held in Munich in April 2010, a key industrial indicator, contributed significantly to the turnaround for construction equipment. In Germany, a large number of construction and industrial machinery dealers saw an increase in revenue during the second quarter. The rise in demand was felt above all in the emerging markets.

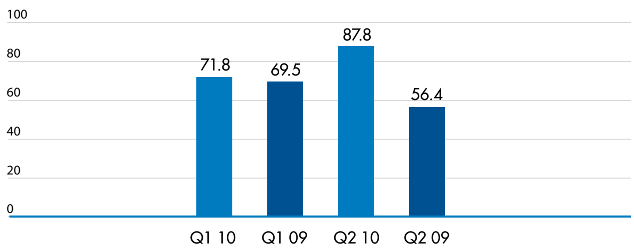
Thanks to the strengthening global economy, the industrial truck industry also recorded strong growth in the first six months compared to the 2009 crisis year.

The positive development in the global economy also contributed to an increase in transportation volume during the reporting period. At the same time, investments in the freight transport sector increased, which also had a beneficial impact on business activity in the rail industry.

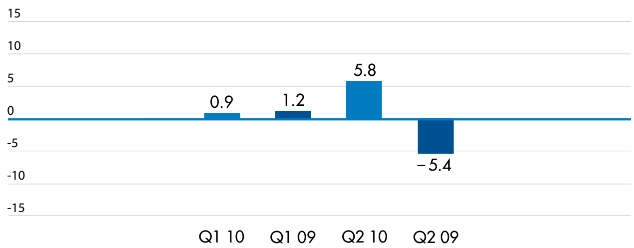
Business performance improving rapidly

Following the very difficult last quarters of 2009, the first six months of 2010 saw very positive development in the Seating Systems division. Development among the division's business segments was positive and the segments were successful in stabilizing at a good level. After the steep drop in the second quarter of 2009, the second quarter of 2010 experienced continuing upward momentum. A positive new order situation in the truck segment, above all in Brazil, and offroad demand in Europe that rose sharply in the second quarter contributed to this positive development. Revenue also continued to rise in the offroad markets in the Overseas/Asia regions. The figures from the same period of the previous year were surpassed handily, a fact that should not be overstated because of the above-average decline that occurred in the second quarter of 2009. In the rail segment, market development was rather subdued in the first six months of 2010, since the project postponements from 2009 were still being felt. As a consequence, revenue in the Seating Systems division rose by 26.8 %, to EUR 159.6 million (01 – 06 09: 125.9). In the second quarter, revenue development was even more promising, increasing by 55.7 % from EUR 56.4 million to EUR 87.8 million. In particular, the improving offroad markets in Europe and the developments in Brazil and China led to significantly growth. The rationalization offensive has worked to counter the rapid fall in the offroad segment in 2009, and operating profit of EUR 6.7 million for the first six months of 2010 represented a significant increase in comparison to a loss of EUR -4.2 million in the previous year. Particularly in the second quarter, operating profit of EUR 5.8 million (Q2 2009: -5.4) buoyed by the development in revenue, sent a clear signal of a turnaround and the return to positive operating results after the difficult quarters of losses in the previous year. This impressively underscored the impact of the sensibly implemented restructuring measures.

Seating Systems revenue development by quarter (in EUR m)



Seating Systems EBIT development by quarter (in EUR m)



Financial Position

Note on accounting figures: 2009 = December 31, 2009

Higher balance sheet due to growth

As of June 30, 2010, GRAMMER Group's total assets amounted to EUR 580.7 million (2009: 500.4). This corresponds to an increase of EUR 80.3 million when compared with the 2009 annual financial statements, and was achieved primarily through an increase in trade receivables, inventories as well as cash and short-term deposits. The upward momentum in the operating divisions had an effect above all on current assets, which rose in GRAMMER Group as a whole by EUR 73.4 million to EUR 345.8 million. Trade receivables increased to EUR 150.5 million (2009: 109.4) and other current financial assets declined slightly to EUR 52.3 million (2009: 56.0). At EUR 90.2 million, inventories were higher than in 2009 as a result of business developments (2009: 77.2). Cash and cash equivalents rose to EUR 30.2 million on the balance sheet date (2009: 16.1) which was attributable to fixed short-term drawdowns on a credit facility. Non-current assets rose by EUR 6.9 million to EUR 234.9 million (2009: 228.0) as the result of investments in property, plant and equipment.

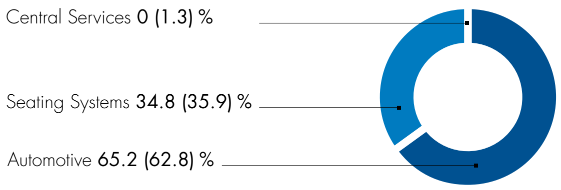
GRAMMER Group's equity of EUR 166.3 million was higher than at the close of 2009 (2009: 151.0), as a result of business developments. Due to the increase in total assets, the equity ratio at 29 % (2009: 30) was basically unchanged from December 31, 2009.

To finance ongoing operations, current liabilities increased by EUR 38.4 million to EUR 232.3 million (2009: 193.9). This change is primarily reflected via the increase in trade payables as well as other current liabilities of EUR 40.1 million, and through a by EUR 4.4 million decrease in current financial liabilities. Non-current liabilities came to EUR 182.1 million, thus EUR 26.6 million higher than the closing date value from the previous year (2009: 155.5).

GRAMMER continues to push ahead with investments

As compared to the same quarter last year, investments by GRAMMER Group were slightly higher, at EUR 7.1 million (Q2 2009: 5.7). With the build-up of production for the new generation of truck seats and expansion investments for production optimization, EUR 1.5 million has been invested in property, plant and equipment during the current second quarter (Q2 2009: 0.8) within the Seating Systems division. In the Automotive division, investments totaled EUR 5.5 million (Q2 2009: 4.6), which was used mostly for expansion as the result of orders received in 2009 and continuing on into early 2010, as well as organizing our production capacity in Schmölln and Mexico.

Investments by segments, January to June 2010 (previous year in brackets)



in EUR m

	01 – 06 2010	01 – 06 2009
Automotive	10.1	9.1
Seating Systems	5.4	5.2
Central Services	0	0.2
Total	15.5	14.5

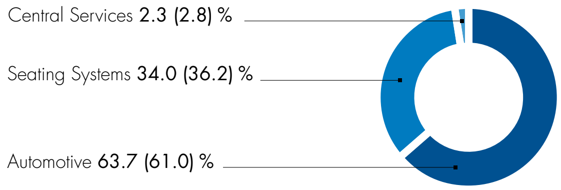
Employees

As of June 30, 2010, GRAMMER Group had a total of 7,749 employees (June 30, 2009: 7,320). The number of people employed in the Automotive division increased again slightly to 4,934 (June 30, 2009: 4,463). As of June 30, 2010, the Seating Systems division employed a total of 2,635 people (June 30, 2009: 2,647). 180 employees were working in Central Services (June 30, 2009: 210), which can be attributed to the restructuring measures and the reduction in fixed costs.

Thanks to the improvement in the economic environment and the new projects starting, direct employees were being hired again, mainly at foreign production sites. In particular, employees were added at the sites in China, Mexico and Serbia given the new production starts and increase in revenue. In the first quarter of 2010, our capacities were further adapted to the decline in order volumes from our customers by means of the social compensation plan negotiated in December 2009. Continued workforce reductions were introduced at the Amberg (Germany) location in order to adapt to the decline in the offroad segment. Because of this, the number of employees in the Seating Systems division as of June 30, 2010 was lower as compared to the same period of the previous year.

The implementation of the measures aimed at restructuring and staffing adjustments at GRAMMER AG and other effective workforce adjustments in the other countries have resulted in a substantial optimization of cost structures and productivity in both divisions of the Company. These actions are proving to have an impact, as both divisions are now seeing increasing revenues and consequently achieving positive operating results.

Employees by segments, June 30, 2010 (previous year in brackets)



as of June 30

	2010	2009
Automotive	4,934	4,463
Seating Systems	2,635	2,647
Central Services	180	210
Total	7,749	7,320

Outlook for Full-year 2010

Optimistic outlook for the global economy

The first half of 2010 was characterized by the ongoing recovery of the global economy. Growth was unevenly distributed, with China, India and Brazil leading the rise in economic output.

The IMF (International Monetary Fund) expects worldwide economic growth of 4.5 % for full-year 2010. However, the forecast is for global economic growth to slow in the second half, as the policy conditions that set the recovery into motion cease. The current debt and Euro crises also represent a substantial risk factor for output and expansion. Consequently, global growth should continue to be driven by demand in emerging markets.

High growth rates are expected in these countries in 2010. China will lead the way with projected growth of 10.5 %. For India, projections foresee a 9.4 % rise in gross domestic product, trailed by Brazil with roughly 7.1 % GDP growth.

The countries of the industrialized world are lagging behind the emerging markets. Government debt and high unemployment served to hamper expansion and economic performance. The United States are expected to see growth of 2.6 % for full-year 2010.

For the European Union, the IMF is projecting growth of 1 % in 2010. Based on this estimate, gross domestic product in the Euro-zone will increase by 0.3 % in the third quarter and 0.2 % in the fourth. The greatest risk over the coming months will be the budget situation in certain EU member states.

For Germany, the IMF is forecasting 1.4 % annualized growth, after 0.2 % in Q1. Growth going forward will depend largely on export performance, which is expected to remain positive as a result of Euro depreciation.

According to forecasts, the number of unemployed persons will decline by 190,000 in 2010. Thus, the outlook for the rest of the year is more positive than at the start.

Automotive: Positive passenger cars demand trend
Worldwide demand for automobiles was largely positive in the initial months of 2010. It is expected that at least 59 million vehicles will be newly registered in full-year 2010.

For the American market as well, demand is higher as compared to the previous year; the rise for the year as a whole, a rise of 11 % is expected.

The greatest growth potential is being seen in the emerging markets. Growth of new vehicle registrations in China is being forecast to reach 20 %. Increases are also anticipated for the countries Japan and India.

Double-digit growth is also expected in the Russian car market, as a result of the new 'cash for clunkers'-style program, which is expected to ramp up demand.

For Western Europe, demand is expected to decline considerably, given the expiration of environmental bonus schemes and the difficult economic situation. The full-year decline in new registrations should be around 10 %.

For Germany, the forecast is for 2.8 million new car registrations. This would equate to a 25 % decrease from prior-year levels. Nonetheless, demand abroad is expected to strengthen exports by 20 % to 4.15 million vehicles, which will raise domestic production by 10 % to 5.45 million units versus the previous year.

Seating Systems: commercial vehicle industry on recovery track
The crisis in the commercial vehicle sector has been overcome. Yet, it will take some time to regain pre-crisis levels.

For the US commercial vehicle market, 10 % to 15 % growth is expected in 2010. Positive performance is also being forecasted for the Chinese and Japanese markets.

In Europe, the commercial vehicle market only stands to see minimal growth. Both, new registrations and production numbers are expected to rise.

In Germany as well, production volumes and new registrations should improve significantly. Exports are likely to lead to a two-digit increase in production. Based on forecasts, as many as 260,000 could be registered in 2010. Heavy commercial vehicles over 6 t are also set to see an increase of roughly 5 % as compared to last year.

Industry experts foresee a 10 % year-over-year decline for the agricultural machinery industry in Germany. This would put the segment on par with the level in 2006.

For the material handling in Germany, the positive trend of the first two quarters is expected to continue, supported by government stimulus programmes worldwide. Passenger train manufacturers and rail freight infrastructure providers are benefitting from these investments. The programs introduced will continue for an extended period, which benefit the rail industry in the full year, as will the global economic recovery.

Automotive division
Based on the latest forecasts, we are expecting very positive revenue development for the Automotive division in 2010. Some upper and premium class vehicles are experiencing stable growth after model changeovers, which is also having a positive effect on Company performance. By the end of the year, various new production starts, coupled with the moderate trend toward recovery, will push revenues clearly higher than levels in crisis year 2009. However, as a result of the greater volatility in orders and currencies, the direction of the markets is more difficult to assess. Assuming the new production starts already begun in the upper and premium segments continue to perform as planned, they will contribute to further recovery in the coming months.

In addition to the revenue expectations, operating profit in 2010 will also be affected by the already implemented restructuring measures, fixed cost reductions and exchange rate developments. The measures initiated at Company locations for restructuring and adjustment of production capacities are having an impact on results. With the expected improvement in sales, operating profit could climb further, as long as ongoing production is continued as planned by the customer and no changes arise that could result in additional fixed costs. Thus, a decidedly positive operating result is also likely for the following quarters.

Seating Systems division
For the Seating Systems division, the pronounced revenue declines in the offroad segment that led to structural problems and lower profits have begun to improve. The still weak order situation in the offroad segment at the start of the year has improved considerably, and could continue at this solid level. In the European truck market, performance has been constant, and revenues will remain at their present level in emerging market countries. The further development of the revenue situation in full-year 2010 will be well above the prior-year rate. For seasonal reasons, however, the final months of the year will provide no significant impetus, and no meaningful revenue growth is to be expected in the second half, assuming normal cycles. Additional problem areas are now also

arising in railway business, since the development of infrastructure projects is progressing haltingly in some countries like Russia.

Given the improved revenues in offroad business and the gradual recovery within the industry, we expect that our good market position and the weak Euro will bolster demand from our customers and performance in the Seating Systems division throughout the remainder of 2010. With implementation of the structural and capacity adjustment measures within GRAMMER AG in December 2009, positive effects and a sustainable break-even structure are being achieved, so that clear improvement can be expected for the remaining quarters, although other restructuring activities will also result in some areas. Moreover, the commodity price situation could raise costs with the increasing transition to a sellers' market.

Outlook for full-year 2010 – GRAMMER Group

Although the positive effects of economic development and customer demand are increasing, the further trend in foreign exchange rates and commodity prices still present risks. For instance, revenues in the second quarter and indications for the third quarter are positive, but the short-term nature and volatility of orders has also increased. Customers remain cautious with forecasts and long-term order volumes. GRAMMER Group's business performance is also tied to macroeconomic and industry-specific conditions, and is thus largely dependent on external factors. Consequently, despite relatively stable performance, significant earnings and liquidity problems could result for the Company. After a difficult year in 2009, GRAMMER Group is expecting moderate revenue growth for the current fiscal year. Revenue performance for full-year 2010 will top previous-year levels in the low double-digit range and improve in the coming months, as the positive trend in the Automotive division is being accompanied by stable revenue growth in Seating Systems. The central focus at the headquarters of GRAMMER Group in the coming months will be on conclusion of the capacity adjustment and fixed cost reduction measures. Based on the current developments and somewhat more positive market factors, earnings expectations for the 2010 fiscal years can clearly be regarded with optimism and, despite seasonal weakness in the summer months, should be well above the pleasing first half year result.

Summary statement by the Executive Board

In view of the business situation over the past six months of 2010, and in light of the economic situation in Europe, Asia and the US, we have a positive outlook for the performance of GRAMMER Group. The initiated and completed restructuring measures and workforce reductions in 2009 are expected to bring about cost advantages, which will result in an operating profit for the fiscal year as a whole. At year-end, the result for 2010 promises to be clearly positive, after the stabilization in the offroad segment and the revenue gains in the second quarter of the year; full-year revenues will top prior-year levels in the low double-digit range. Careful attention is being paid to the risks from foreign exchange developments and commodity markets, which could have a moderate slowing effect in the event of significant fluctuations. With the signs of stabilization in the economic environment, we also see the foundation for a complete turnaround and a clearly profitable year in 2010, as well as a continuation of growth in revenue and earnings.

Opportunities and risks

In addition to the risks and opportunities to which we refer in the Management Report of the Annual Report for the fiscal year ended December 31, 2009, the facts described in the "Outlook" section of this report are currently relevant to the situation of the Company. This section contains forward-looking statements reflecting the opinions of the management of GRAMMER AG with respect to future events. These statements are based on the currently applicable plans, estimates and expectations of the Company. Consequently, they are subject to risks and factors of uncertainty. Moreover, there is an increased risk of bankruptcy among our suppliers, which our procurement department is attempting to mitigate through expanded monitoring activities.

Responsibility statement

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

Amberg, August 2010

GRAMMER AG
Executive Board

Consolidated Statement of Income as of June 30, 2010

EUR k

	Q2 2010	Q2 2009	01 – 06 2010	01 – 06 2009
Revenue	**241,471**	**169,945**	**444,509**	**341,684**
Cost of sales	−208,654	−153,361	−386,003	−308,971
Gross profit	**32,817**	**16,584**	**58,506**	**32,713**
Selling expenses	−6,987	−6,796	−13,671	−14,116
Administrative expenses	−16,230	−22,638	−33,173	−41,193
Other operating income	1,810	1,977	3,289	3,163
Operating profit/loss (–)	**11,410**	**−10,873**	**14,951**	**−19,433**
Financial income	271	581	570	1,145
Financial expenses	−2,297	−2,132	−4,512	−4,081
Profit/loss (–) before income taxes	**9,384**	**−12,424**	**11,009**	**−22,369**
Income taxes	−1,535	−459	−3,100	−459
Net profit/loss (–)	**7,849**	**−12,883**	**7,909**	**−22,828**
Of which attributable to:				
Shareholders of the parent company	7,840	−12,868	7,903	−22,808
Non-controlling interests	9	−15	6	−20
	7,849	**−12,883**	**7,909**	**−22,828**

Earnings/loss (–) per share

	01 – 06 2010	01 – 06 2009
Basic/diluted earnings/loss (–) per share in EUR	0.78	−2.24

Group Statement of Comprehensive Income as of June 30, 2010

EUR k

	Q2 2010	Q2 2009	01 – 06 2010	01 – 06 2009
Net profit/loss (–)	7,849	–12,883	7,909	–22,828
Gains/losses (–) from currency translation for foreign subsidiaries				
Gains/losses (–) arising in the current period	1,771	3,145	1,697	2,751
Less transfer recognized in the Income Statement	0	0	0	0
Tax expenses (–)/Tax income	0	0	0	0
Gains/losses (–) from currency translation for foreign subsidiaries (after tax)	1,771	3,145	1,697	2,751
Gains/losses (–) from Cash flow hedges				
Gains/losses (–) arising in the current period	0	1,071	0	–275
Less transfer recognized in the Income Statement	0	927	0	1,986
Tax expenses (–)/Tax income	0	–332	0	–404
Gains/losses (–) from Cash flow hedges (after tax)	0	1,666	0	1,307
Gains/losses (–) from net investments in foreign operations				
Gains/losses (–) arising in the current period	2,206	242	5,737	1,066
Less transfer recognized in the Income Statement	0	0	0	0
Tax expenses (–)/Tax income	136	28	0	–72
Gains/losses (–) from net investments in foreign operations (after tax)	2,342	270	5,737	994
Sum of income and expenses recognized directly in equity (after tax)	4,113	5,081	7,434	5,052
Sum of income and expenses recognized in equity	11,962	–7,802	15,343	–17,776
Of which attributable to:				
Shareholders of the parent company	11,948	–7,791	15,327	–17,755
Non-controlling interests	14	–11	16	–21

Consolidated Statement of Financial Position as of June 30, 2010

ASSETS

EUR k

	June 30, 2010	December 31, 2009
Non-current assets		
Property, plant and equipment	147,188	141,879
Intangible assets	49,717	49,836
Other financial assets	5,203	4,596
Deferred income tax assets	32,827	31,643
	234,935	**227,954**
Current assets		
Inventories	90,194	77,223
Trade accounts receivable	150,526	109,445
Other current financial assets	52,309	56,031
Property, plant and equipment held for sale	0	30
Income tax assets	1,059	1,709
Cash and short-term deposits	30,244	16,126
Other current assets	21,462	11,835
	345,794	**272,399**
Total assets	**580,729**	**500,353**

EQUITY AND LIABILITIES

EUR k

	June 30, 2010	December 31, 2009
Equity		
Subscribed capital	26,868	26,868
Capital reserve	58,237	58,237
Own shares	−7,441	−7,441
Retained earnings[1]	81,089	73,186
Accumulated other income[1]	7,100	−324
Equity attributable to shareholders of the parent company	**165,853**	**150,526**
Non-controlling interests	464	465
Total equity	**166,317**	**150,991**
Non-current liabilities		
Non-current financial liabilities	97,852	69,797
Other financial liabilities	6,352	8,078
Other liabilities	1,444	1,428
Retirement and benefit obligations	59,157	57,260
Deferred income tax liabilities	17,326	18,893
	182,131	**155,456**
Current liabilities		
Current financial liabilities	48,142	52,500
Trade accounts payable	106,959	86,193
Other current financial liabilities	5,179	2,461
Other current liabilities	62,299	42,988
Current income tax liabilities	2,361	1,904
Provisions	7,341	7,860
	232,281	**193,906**
Total liabilities	**414,412**	**349,362**
Total equity and liabilities	**580,729**	**500,353**

1 The prior-year figure has been revised. Please refer to the notes for an explanation.

Consolidated Statement of Cash Flow as of June 30, 2010

EUR k

	01 – 06 2010	01 – 06 2009
1. Cash flow form operating activities		
Profit/loss (–) before income taxes	11,009	–22,369
Non-cash items		
Depreciation and impairment of property, plant and equipment	11,239	10,794
Amortization and impairment of intangible assets	1,615	1,517
Changes in provisions and pension provisions	268	2,762
Other non-cash changes	1,673	3,359
Changes in net working capital		
Decrease/Increase (–) in trade accounts receivables and other receivables	–46,985	–11,879
Decrease/Increase (–) in inventories	–12,971	8,485
Decrease/Increase (–) in other assets	–504	3,550
Decrease (–)/Increase in accounts payable and other liabilities	43,218	85
Gains/losses from disposal of assets	–437	–465
Income taxes paid	0	0
Cash flow from operating activities	**8,125**	**–4,161**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–14,382	–13,441
Purchase of intangible assets	–1,169	–1,102
Purchase of investments	–575	–460
Disposals		
Disposal of property, plant and equipment	3,624	3,143
Disposal of intangible assets	0	–8
Disposal of investments	32	90
Interest received	570	1,145
Government grants received	0	0
Cash flow from investing activities	**–11,900**	**–10,633**
3. Cash flow from financing activities		
Dividend payments	0	0
Purchase of own shares	0	0
Repayment of bond	0	0
Changes in non-current liabilities to banks	28,056	0
Changes in current liabilities to banks	14,354	–6,078
Changes in lease liabilities	–728	3,101
Interest paid	–5,077	–3,496
Cash flow from financing activities	**36,605**	**–6,473**
4. Cash and cash equivalents at end of period		
Net changes in cash and cash equivalents (sub-total of items 1 – 3)	32,830	–21,267
Effects of exchanges rate differences	0	0
Cash and cash equivalents as of January 1	–20,806	736
Cash and cash equivalents as of June 30	**12,024**	**–20,531**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	30,244	6,627
Securities	0	0
Bank overdrafts	–18,220	–27,158
Cash and cash equivalents as of June 30	**12,024**	**–20,531**

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

EUR k

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

as of June 30, 2009

EUR k

	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Accumulated other income: Cash Flow Hedges	Accumulated other income: Currency translation	Accumulated other income: Net investments in foreign subsidiaries	Total	Non-controlling interests	Group equity
As of January 1, 2009	26,868	58,237	101,387	−7,441	−2,284	2,907	−7,218	172,456	526	172,982
Net profit/loss (–) for the period	0	0	−22,808	0	0	0	0	−22,808	−20	−22,828
Other profit/loss (–) for the period	0	0	0	0	1,307	2,752	994	5,053	−1	5,052
Total net profit/loss (–)	0	0	−22,808	0	1,307	2,752	994	−17,755	−21	−17,776
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 June 30, 2009	26,868	58,237	78,579	−7,441	−977	5,659	−6,224	154,701	480	155,181

Selected Notes to the GRAMMER AG Consolidated Statement of Income for the Period from January 1 to June 30, 2010 and the Consolidated Statement of Financial Position as of June 30, 2010

Accounting

GRAMMER AG prepared its consolidated financial statements for fiscal year 2009 and the present interim financial statements for the period ended June 30, 2010 in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). The name "IFRS" also refers to the still applicable International Accounting Standards (IAS), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and those of the former Standing Interpretations Committee (SIC). Accordingly, this interim report for the period ended June 30, 2010, has been prepared in accordance with IAS 34 and should be read in context with the consolidated financial statements published by the Company for fiscal year 2009. The possibility cannot be excluded that the IASB will make further pronouncements before the final preparation of the consolidated financial statements for the fiscal year ending December 31, 2010, and that the standards applied in preparing these interim financial statements will therefore deviate from the standards applied in preparing the consolidated financial statements for the year ending December 31, 2010. Furthermore, there are currently individual pronouncements by the IASB that have yet to be endorsed by the European Commission and, as such, it should be noted that the figures presented in this report are preliminary and subject to change. The new or revised standards and interpretations of the IASB and IFRIC that came into effect on January 1, 2010 did not have a significant impact on the net assets, financial position and earnings performance of the Company, or were not relevant to the preparation of the consolidated financial statements and will generally result in additional information in the notes or changes in the form of presentation. The preparation of the consolidated financial statements in accordance with the pronouncements of the IASB requires that assumptions be made for certain items, which affect the carrying amounts in the consolidated statement of financial position and the consolidated income statement, as well as the data on contingent assets and liabilities.

The present interim consolidated financial statements have not been audited and contain all customary and ongoing adjustments necessary to provide a true and fair representation of the Company's business development in the periods under review. The results for the first six month of 2010 are no necessarily indicative of future business development.

The consolidated financial statements were prepared in Euro (EUR). Unless otherwise indicated, all amounts are stated in thousands of Euros (EUR thousand).

Accounting and valuation principles

In preparing the interim financial statements for the period ended June 30, 2010, and the comparative prior-year figures, the same accounting and valuation methods and principles of consolidation were applied as for the consolidated financial statements for the year ended December 31, 2009. These principles and methods are described in detail in the notes to the 2009 consolidated financial statements, which were published in their entirety in the 2009 annual report. For 2010, the IASB has published additional standards and interpretations that, from the current perspective, will have no significant effect on the consolidated financial statements.

Estimates and assumptions

In preparing the interim consolidated financial statements, discretionary decisions, assumptions and estimates have to be made to a certain degree, which have an impact on the measurement and recognition of reported assets and liabilities, income and expenses and contingent liabilities in the reporting period. Actual amounts may deviate from these estimates.

Scope of consolidation

In addition to GRAMMER AG, the scope of consolidation includes five domestic and seventeen foreign companies that are directly or indirectly controlled by GRAMMER AG within the meaning of IAS 27. In addition, a joint venture within the meaning of IAS 31 is proportionately consolidated. GRAMMER AG holds 50 % of the voting rights in this joint venture. All intragroup transactions, balances and liabilities are eliminated in the course of consolidation. The uniform reporting date for all of the consolidated companies is June 30, 2010.

Currency translation

In the single-entity financial statements of GRAMMER AG and its consolidated subsidiaries, foreign currency transactions are translated at the exchange rate applicable on the date of initial recognition of the respective transaction. Any resulting gains or losses are recognized in income. Financial statements prepared in foreign currencies and transactions denominated in foreign currencies are translated in accordance with the functional currency concept as set out in IAS 21. Accordingly, the functional currency is the currency of the primary economic environment in which the entity operates; its activities and financial structure are to be presented in the consolidated financial statements as they present themselves in that currency. Transactions in foreign currencies are translated into the functional currency at daily rates. Monetary items are translated at the closing rate of the balance sheet date. Any resulting translation differences are recognized in profit or loss. An exception is made for translation differences from loans or credits in foreign currencies, insofar as they have been recognized directly in equity to hedge net investments that are included in net income for the period only after their disposal.

Any deferred taxes resulting from these translation differences are also recognized directly in equity. The financial statements of Group companies whose functional currency differs from the reporting currency of the Group (EUR) are translated using the modified closing rate method. In the consolidated financial statements, the assets and liabilities of foreign Group companies are translated into euros from the respective local currency at the middle rate on the balance sheet date.

Income statement items are translated into euros at the average exchange rate for the year. The net income for the year so determined is taken to the consolidated statement of financial position. 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 Euro zone that are of relevance to the Group:

		Average rate		Closing rate	
		01 – 06 2010	01 – 06 2009	June 30, 2010	June 30, 2009
Argentina	ARS	0.194	0.205	0.207	0.187
Brazil	BRL	0.420	0.338	0.453	0.363
Bulgaria	BGN	0.511	0.511	0.511	0.511
China	CNY	0.110	0.109	0.120	0.104
United Kingdom	GBP	1.154	1.113	1.223	1.173
India	INR	0.016	0.015	0.018	0.015
Japan	JPY	0.008	0.008	0.009	0.007
Canada	CAD	0.722	0.619	0.776	0.614
Mexico	MXN	0.059	0.053	0.064	0.054
Poland	PLN	0.249	0.223	0.241	0.224
Russia	RUB	0.025	0.023	0.026	0.023
Serbia	RSD	0.010	0.011	0.010	0.011
Switzerland	CHF	0.699	0.665	0.753	0.655
Czech Republic	CZK	0.039	0.037	0.039	0.039
Turkey	TRY	0.492	0.464	0.515	0.462
USA	USD	0.753	0.744	0.815	0.708

Revenue

GRAMMER Group generates revenue primarily from the sale and delivery of its products to customers. Revenue is composed as follows:

EUR k

	Q2 2010	Q2 2009	01 – 06 2010	01 – 06 2009
Gross revenue	242,518	171,024	446,075	343,579
Sales deductions	– 1,047	– 1,079	– 1,566	– 1,895
Net revenue	241,471	169,945	444,509	341,684

Revenue as of June 30, 2010 of EUR 444,509 thousand includes contract revenue of EUR 7,283 thousand (01 – 06 2009: 9,100) determined using the PoC method. Revenue for the second quarter in the amount of EUR 241,471 thousand includes contract revenue of EUR 4,763 thousand (Q2 2009: 3,112) determined in accordance with PoC method. These revenues relate to development activities as well as operating funds that must be expensed and financed by GRAMMER Group until a product reaches serial production and generates initial revenues. These are primarily attributable to the Automotive division.

Other income

Other operating income totaling EUR 3,289 thousand as of June 30, 2010 (01 – 06 2009: 3,163) includes income from the reversal of provisions and proceeds from the sale of scrap metal and materials handling costs, as well as proceeds from the sale of property, plant and equipment.

Financial result

EUR k

	Q2 2010	Q2 2009	01 – 06 2010	01 – 06 2009
Financial income	271	581	570	1,145
Financial expenses	– 2,297	– 2,132	– 4,512	– 4,081
Financial result	–2,026	–1,551	–3,942	– 2,936

Financial income relates mainly to temporary surplus cash invested in the context of active cash management. Temporary changes in the fair value of interest rate swaps must be recognized as income according to IAS 39, which leads to unrealized gains and losses within the financial result. The financial result also contains the interest component of pension contributions and the interest component of lease payments in accordance with IAS 17.

Cost of sales

The cost of sales includes the manufacturing costs attributable to sales and the cost of merchandise. This item also includes costs for operating below capacity and any other production-related overheads and administrative expenses. The expenditure required to set up reserves for warranty purposes is covered by this item as well. The cost of sales also includes non-capitalized research and development costs as well as amortization of development costs. Expenses relating to the development and expansion of plant locations in preparation for forthcoming series production („industrialization costs") are included in the cost of sales to the extent that these expenses cannot be deferred. Development in the Seating Systems division is generally performed on a „design to market" basis, with the corresponding costs recognized accordingly. The costs of inventories as of June 30, 2010, which are recognized as an expense in cost of sales amount to EUR 368,100 thousand (01 – 06 2009: 290,635).

Selling expenses

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

Administrative expenses

Administrative expenses include all administrative expenditure which cannot be assigned directly to other functions, including expenditure for general administration, management and other staff departments. This item also includes income from exchange rate fluctuations during the period to June 30, 2010 in the amount of EUR 4,832 thousand (01 – 06 2009: 6,995) 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 1,670 thousand (01 – 06 2009: 9,695) are also recognized under other administrative expenses.

Earnings per share

Basic earnings per share are calculated by dividing consolidated net profit/loss by the nominal number of shares outstanding during the fiscal year.

In addition to basic earnings per share, diluted earnings per share must be disclosed if a company has potential shares (i. e. financial instruments and other contracts entitling the holders to subscribe for no-par value shares of the Company, such as convertible bonds and options). Since GRAMMER Group has not issued any such financial instruments or entered into any such contracts, its basic and diluted earnings per share are identical.

	01 – 06 2010	01 – 06 2009
Weighted average number of no-par value shares used to calculate basic/diluted earnings per share	10,165,109	10,165,109
Consolidated net profit/loss (–) (in EUR thousand)	7,903	–22,808
Basic/diluted earnings/loss (–) per share in EUR	0.78	–2.24

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. No changes or further acquisitions of own shares occurred as of June 30, 2010.

Intangible assets

Intangible assets include capitalized goodwill as well as capitalized development costs. In the period under review, EUR 1,169 thousand were invested in licenses and software. Amortization costs totalled EUR 1,615 thousand (01 – 06 2009: 1,517).

Property, plant and equipment

In the period to June 30, 2010, EUR 14,382 thousand was invested in property, plant and equipment. Depreciation in the same period totaled EUR 11,239 thousand (01 – 06 2009: 10,794).

Inventories

The rise in inventories to EUR 90.2 million (2009: 77.2) is primarily attributable to the marginal recovery of business activities. All inventories are carried at cost. There were no significant write-downs to the lower fair value.

Trade accounts receivable

The EUR 150.5 million (2009: 109.4) in trade accounts receivable can be attributed to revenue performance in the last month. The fair values of trade accounts receivables are equal to their carrying amount. There are no restrictions on ownership or disposition.

Other current financial assets

Other current financial assets primarily consist of receivables from construction contracts amounting to EUR 50.8 million (2009: 55.0), as well as other receivables in the amount of EUR 1.5 million (2009: 1.0).

Other current assets

Other current assets of EUR 21.5 million (2009: 11.8) include other assets totaling EUR 15.9 million (2009: 9.6) and prepaid expenses totaling EUR 5.6 million (2009: 2.2). Other assets primarily comprise pass-through tax claims such as value added tax, receivables from employees and receivables due from creditors with debit balances.

Subscribed capital

As of December 31, 2009 and June 30, 2010, subscribed capital of GRAMMER Group amounted to EUR 26,868 thousand divided into 10,495,159 no-par value shares. All shares accord the same rights; shareholders have a right to payment of the defined dividend (exception: own shares) and may exercise one vote for each share at the Annual General Meeting.

Capital reserve

The capital reserve amounted to EUR 58,237 thousand (2009: 58,237) as of June 30, 2010. The capital reserve includes share premiums from the capital increase in 1996 and 2001.

Revenue reserves

The statutory reserve of GRAMMER AG totaled EUR 1,183 thousand (2009: 1,183) as of June 30, 2010, and is not available for the payment of dividends.

Revenue reserves reflect income earned in the past by the companies included in consolidation, provided such income was not paid out as dividends. As a result of the profit for the first half year, retained earnings increase slightly year-over-year from EUR 73,186 thousand to EUR 81,089 thousand.

Accumulated other income

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

Dividends

The Company distributes dividends in accordance with section 58 (2) AktG based on net profit in the financial statements of GRAMMER AG, which are prepared according to the German Commercial Code. GRAMMER AG posted a net loss of EUR -19.8 million as of December 31, 2009. This took into account profit of EUR 10.3 million carried forward, the allocation of EUR 7.3 million to other revenue reserves, as well as the withdrawal of EUR 0.3 million from the reserve for own shares transferred to other revenue reserves. Due to the statutorily mandated assumption of loss utilization, the net loss as of December 31, 2009 will be carried forward. No dividend was paid in the reporting year. In the context of dividend decisions, it must be noted that the Company holds 330,050 non-dividend paying own shares.

Own shares

As of June 30, 2010, GRAMMER AG holds a total of 330,050 own shares, all of which were acquired in fiscal year 2006 for a total purchase price of EUR 7,441 thousand. These shares have a total value of EUR 844,928 and represent 3.1448 % of share capital.

Authorizations

The 2006 Annual General Meeting authorized the Executive Board, subject to approval by the Supervisory Board, to increase share capital up to a total of 13,433,803.52 EUR through one or more issuances of bearer shares for a period of five years after entry of the change to the Articles of Association in the commercial register. The entry of the change was carried out on August 25, 2006. In addition, the Annual General Meeting on May 19, 2010, also resolved to authorize acquisition of the Company's own shares amounting to no more than 10 % of the share capital up to May 27, 2014, and to authorize the issuance of profit-participation rights with or without option or conversion obligations and/or bonds with warrants and/or convertible bonds and to exclude subscription rights, in addition to simultaneously creating contingent capital and amending the Articles of Association. The resolutions by the Annual General Meeting represented confirmation or renewal of the resolutions adopted at the Annual General Meeting on May 28, 2009, after these resolutions were challenged with a total of three actions for the declaration of nullity/actions to set aside the resolutions.

Non-current liabilities

The increase in non-current liabilities results from the long-term KfW loan taken on in the contect of restructuring the Company's finances in the second quarter of 2010. They also relate to a long-term debenture bond with a fixed interest rate of 4.8 % and maturity at the end of August 2013.

The increase in pension obligations and similar obligations to EUR 59.2 million (2009: 57.3) is due to existing commitments. The pension expense for the interim period is calculated on a year-to-date basis using a preliminary estimate based on the previous year's expert opinion adjusted to reflect significant events.

Current liabilities

Current financial liabilities totaling EUR 48.1 million are slightly higher than the prior-year level (2009: 52.5) as a result of the new financing structure. They include amounts drawn as overdrafts on existing lines of credit on which interest is charged at a money market rate plus a fixed credit margin.

Other current liabilities of EUR 62.3 million are substantially higher than the prior-year level (2009: 43.0) as a result of business developments. This item consists primarily of social security obligations owed to social security authorities and liabilities to employees from outstanding leave, overtime, flextime etc. as well as liabilities relating to value added tax.

Tax liabilities principally comprise income taxes for fiscal 2009 and the first half-year of 2010.

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

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

Statement of Cash Flow

The cash flow statement presents the Group's cash flows 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, amortization and impairment) and income. Cash flow from operating activities is calculated under consideration of the changes in working capital. Investing activities comprise payments for property, intangible assets and investment property. Financing activities include cash outflows for dividend payments and repayments of debt, as well as changes in other financial liabilities. GRAMMER Group includes cash and short-term money market funds, less current account liabilities to banks in cash and cash equivalents.

Segment Reporting

Segment information

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

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

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

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

The relevant information on the Group's operating segments can also be found in the Consolidated Financial Statements for the year ended December 31, 2009. The segment information is as follows:

Operating segments

EUR k

Fiscal year as of June 30, 2010	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	149,376	295,133	0	444,509
Inter-segment revenue	10,268	754	−11,022[1]	0
Total revenue	159,644	295,887	−11,022	444,509
Segment earnings (Operating profit)	6,751	10,201	−2,001	14,951
Segment assets	164,399	349,008	67,322	580,729

EUR k

Fiscal year as of June 30, 2009	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	120,688	220,996	0	341,684
Inter-segment revenue	5,195	540	−5,735[1]	0
Total revenue	125,883	221,536	−5,735	341,684
Segment earnings (Operating profit)	−4,244	−9,077	−6,112	−19,433
Segment earnings	144,181	295,612	35,954	475,747

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

Reconciliation:
Reconciliation of the total segment earnings (operating profit) to profit/loss before income taxes is as follows:

EUR k

	01 – 06 2010	01 – 06 2009
Segment earnings (Operating profit)	16,952	–13,321
Central Services	–694	–5,370
Eliminations	–1,307	–742
Group earnings (Operating profit)	14,951	–19,433
Financial result	–3,942	–2,936
Profit/loss (–) before income taxes	11,009	–22,369

The line item **Central Services** includes corporate items which headquarters is responsible.
Transactions between the segments are eliminated in the reconciliation.

Related party disclosures
The following table details transactions with related parties as of June 30, 2010 and 2009

EUR k

Related parties		Sales to related parties	Purchase to related parties	Receivables from related parties	Liabilities to related parties
Jointly-controlled entities in which the parent is a venturer:					
GRA-MAG Truck Interior Systems LLC	2010	32	0	9,737	0
	2009	7	0	8,023	0

Contingent liabilities
As of June 30, 2010, guarantees existed in the amount of EUR 963 thousand, primarily for leased offices and as contract guarantees to ensure against breaches of contract.

Events after the balance sheet date
No significant events occurred between the balance sheet date and the date of publication.

Other information
On May 19, 2010, the Supervisory Board of GRAMMER AG appointed Manfred Pretscher (Dipl. Ing.) as a new member of the Executive Board. Thus, after the departure of Dr. Rolf-Dieter Kempis from the Chief Executiv Officer of the Executive Board as of July 31, 2010, Pretscher will be complete the three-person board of our Company effective August 01, 2010, alongside the designated CEO Hartmut Müller and CFO Alois Ponnath.

Financial Calendar and Trade Fair Dates 2010

Important dates for shareholders and analysts

Interim report, second quarter and half-year 2010	08/10/2010
German Investment Conference, Munich	09/21 – 09/23/2010
Interim Report, third quarter 2010	11/09/2010
German Equity Forum, Frankfurt	11/22 – 11/24/2010

Trade fair dates

Interboot, Friedrichshafen	09/18 – 09/26/2010
Innotrans, Berlin	09/21 – 09/24/2010
IAA Nutzfahrzeuge, Hannover	09/23 – 09/30/2010
IZB, Wolfsburg	10/06 – 10/08/2010
GIE Expo, Louisville, USA	10/28 – 10/30/2010
METS, Amsterdam, Niederlande	11/16 – 11/18/2010
BAUMA China, Shanghai	11/23 – 11/26/2010

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