Interim Report

January to June 2012

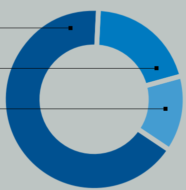
GRAMMER

Key Figures according to IFRS

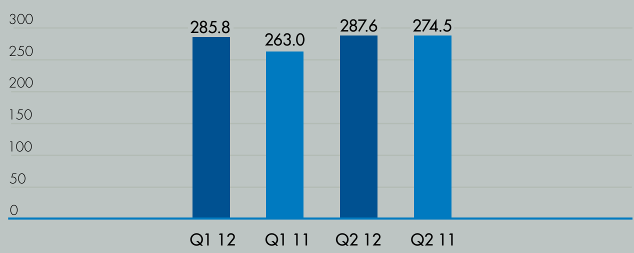
in EUR m	Q2 2012	Q2 2011	01 – 06 2012	01 – 06 2011
Group revenue	287.6	274.5	573.4	537.5
Automotive revenue	174.0	169.3	343.9	341.0
Seating Systems revenue	118.0	111.7	239.0	210.4
Income statement				
EBITDA	18.9	20.4	38.3	39.0
EBITDA-margin (in %)	6.6	7.4	6.7	7.3
EBIT	11.7	13.7	23.8	25.8
EBIT-margin (in %)	4.1	5.0	4.2	4.8
Profit/loss (–) before income taxes	8.8	10.9	17.8	18.7
Net profit/loss (–)	4.8	4.7	12.4	9.6
Statement of financial position				
Total assets	672.0	595.4	672.0	595.4
Equity	219.4	197.7	219.4	197.7
Equity ratio (in %)	33	33	33	33
Net financial debt	94.4	96.9	94.4	96.9
Gearing (in %)	43	49	43	49
Investments (without acquisitions)	6.6	7.0	14.4	16.9
Depreciation and amortization	7.2	6.7	14.5	13.2
Employees (June 30)			9,030	8,369
Key share data			June 30, 2012	June 30, 2011
Share price (Xetra closing price, in EUR)			13.78	17.22
Number of shares			11,544,674	11,544,674
Market capitalization (in EUR m)			159.1	198.8

Revenue by region January – June 2012 (previous year in brackets)

Europe 66.6 (66.0) %
Americas 20.0 (20.3) %
Far East/Others 13.4 (13.7) %



Group revenue by quarter (in EUR m)



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

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

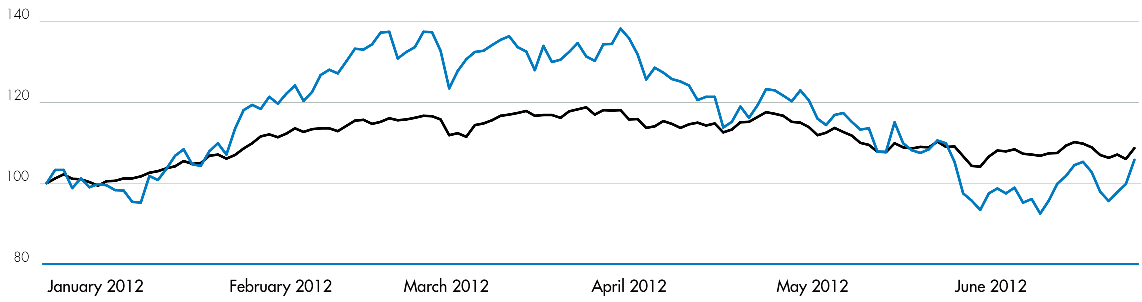
With approximately 9,000 employees in 24 fully consolidated companies, GRAMMER has locations in 18 countries worldwide.

GRAMMER shares are listed in the SDAX, and trade 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.

Contents

GRAMMER Share

GRAMMER share and SDAX Performance Index – January to June 2012 (in %)



Closing price as of December 31, 2011 = 100 %

— GRAMMER AG
— SDAX Performance Index

DAX and SDAX

Following a first quarter marked by periods of strong price performance on international stock markets, the eurozone debt crisis has resurged over the past several weeks. With the focus shifting to Spain and now Cyprus, markets have had to deal with increasing uncertainty.

Germany's benchmark index DAX closed at 6,416 points on June 29, 2012, an increase of roughly 8.8 % over the 2011 year-end close. The SDAX, where GRAMMER AG is listed, has also seen positive movement in the first half of 2012. Closing at 4,804 points, the index level improved by 8.7 % in the period under review.

GRAMMER share

The GRAMMER share began the year with strong gains, boosted by the release of preliminary financial results and record earnings in 2011. Prices for GRAMMER shares peaked on April 3, 2012 at EUR 18.01, an increase of 38 % from the start of the year. Over the further course of the first half year, despite positive news from the Company, GRAMMER shares could not escape the negative trend of the markets. On June 29, 2012, the closing share price was EUR 13.78, an increase of 6 % over the 2011 close.

Investor relations

Communication with shareholders, analysts and financial journalists was once more a top priority for the Executive Board and GRAMMER Investor Relations in the recently concluded half. In March 2012, we published the Annual Report for fiscal year 2011, and addressed our target groups at the analyst and press conference and one conference call. We also held several road shows throughout Europe, where we talked about the growth and performance of GRAMMER Group.

On May 23, 2012, the GRAMMER AG Annual General Meeting was held in Amberg. Private and institutional investors took advantage of this opportunity to hear directly from the Executive Board about developments in the most recent fiscal year, as well as the future outlook and strategy for GRAMMER Group. In all, more than 40 % of voting capital was represented at the Annual General Meeting.

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

Shareholder structure

Electra QMC Europe Development Capital Funds PLC in Dublin/Ireland continues to hold the largest proportion of voting capital in GRAMMER AG, with 9.26 % of voting shares (1,069,311 votes), followed by DWS Investment GmbH, Frankfurt/Main, which holds 5.18 % of votes.

On May 29, 2012, the percentage share of voting rights held by Wynnefield Partners Small Cap Value L.P., New York, NY/USA crossed above the 5 % threshold; the company now holds 5.17 % of voting capital (597,053 votes). In May, Dimensional Fund Advisors LP in Austin, Texas/USA informed the Company that its share of voting rights had crossed above the 3 % threshold on May 14, 2012, to 3.01 % (347,021 votes).

Another 3.01 % of voting rights (347,276 votes) is held by Sparinvest Fondsmæglerselskab A/S, Taastrup/Denmark.

Only notifications relating to voting rights holdings of greater than 3 % have been presented here. The current shareholder structure is published in the investor relations section of the GRAMMER AG website.

GRAMMER Group in the first half of 2012

Positive revenue and earnings momentum

In the first half year of 2012, GRAMMER Group saw a further rise in revenue compared to the same period last year. The increase is largely attributable to the Seating Systems division, and was carried equally by positive macroeconomic performance and new product launches by the Company in early 2012. Consolidated Group revenue was up roughly 6.7 % to EUR 573.4 million (01 – 06 11: 537.5). As a result of new production starts and set-up of new plants, Group EBIT totaled EUR 23.8 million (01 – 06 11: 25.8).

Second-quarter revenue performance was 4.8 % better than last year at EUR 287.6 million (Q2 11: 274.5). Operating profit fell slightly to EUR 11.7 million, after EUR 13.7 million last year, as a result of costs for new production starts.

Revenue and earnings

Global economy losing steam

The pace of global economic progress seen in the first quarter fell off slightly in the second quarter. Once more, the sovereign debt crisis in the eurozone had a deleterious effect on economic activity. The crisis has now spread to two further eurozone countries, Cyprus and Spain, which have applied for aid from the EU. In particular, the Spanish debt situation has led to considerable uncertainty in financial markets, which have lingered despite a significant decline in the oil price.

In the United States, economic growth continues, albeit at a somewhat slower pace than in the first quarter. Unemployment growth in May constrained consumption, leading to a pronounced weakening of momentum.

In China, growth rates have continued to fall. Industrial production in May increased only 9.6 % month-over-month. Foreign trade grew 7.7 % – a clear weakening compared to the same period last year, which saw growth rates of more than 22 %. Gross domestic product (GDP) in the second quarter rose by 7.6 %. This represents the slowest rate of GDP expansion for the Chinese economy in three years.

Japan managed to hold on to its recovery also in the second quarter. As in the previous quarter, aggregate production increased in the second quarter by 1.2 %, exceeding the level seen prior to the natural catastrophe of March 2011.

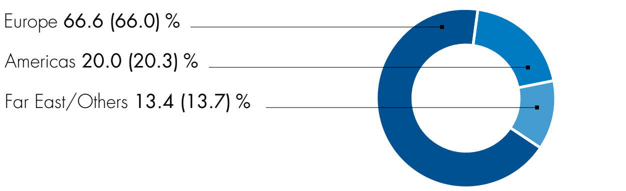
Economic activity in the eurozone remains uneven. Whereas Italy, Greece and Spain still face recession, countries like Germany, Austria and Finland have seen their economies growing.

The second quarter in Germany was once again marked by positive economic development. GDP growth in the first six months reached 2.1 %. The situation on the labor market continues to be relaxed. In the first quarter, the number of people employed actually increased by 192,000. This, along with low interest rates, fuelled an increase in private consumption.

Group revenue once again substantially higher than previous year

In the current overall economic environment, Group revenue increased substantially in the period until June 30, 2012 to EUR 573.4 million (01 – 06 11: 537.5). Thus, the positive revenue trend continued from the previous first quarter, with both divisions showing a slower increase in revenues in the second quarter. Revenues increased across all regions. Europe saw strong growth of more than 7.7 % to EUR 381.9 million (01 – 06 11: 354.5). The Americas region – on the back of strong activity in the US – also grew by a pleasing 4.9 % to EUR 114.4 million (01 – 06 11: 109.1). Far East/Others likewise saw satisfactory growth continue, albeit at a somewhat slower pace following strong periods of growth, with revenue totaling EUR 77.1 million (01 – 06 11: 73.9).

Revenue by region (previous year in brackets)



in EUR m

	01 – 06 2012	01 – 06 2011
Europe	381.9	354.5
Americas	114.4	109.1
Far East/Others	77.1	73.9
Total	**573.4**	**537.5**

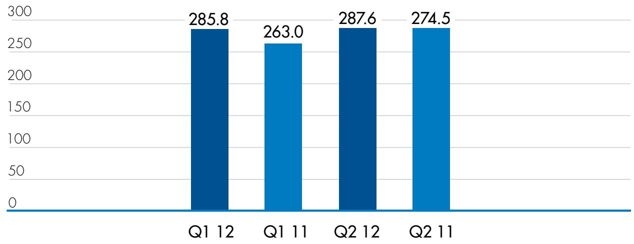
Revenue in the Automotive division was on par with the high levels seen in the previous quarters. Strong revenue development in the various regions, especially Europe, resulted predominantly from new production starts as well as pleasing sales numbers and strong export growth in the premium car segment. There is, however, increasing evidence of a coming decline in new registration and export figures – especially in Europe.

In the Seating Systems division, a significant recovery in Europe has continued, whereas the growth markets China and Brazil lagged behind as compared to the previous years' strength. During the first half, stable revenue growth was achieved in offroad business. In the European truck market, newly launched product platforms helped offset declines resulting from market contraction. The increasing momentum gained from exports to the US led to stronger than average growth in the Seating Systems division and contributed to further stabilization of strong demand.

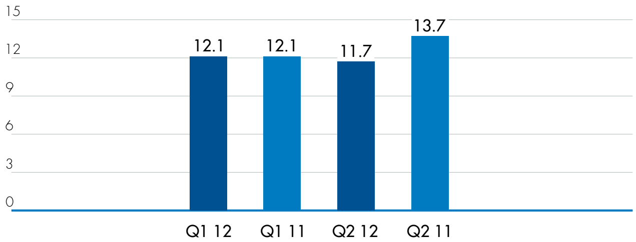
In the Americas region, there was a strong contrast between developments in North and South America. In the US markets, the positive developments continued as a result of strong sales in both divisions, with moderate improvements in revenue. In Brazil, by contrast, the country's ailing truck market – in connection with new emission norms and tight credit – has seen markets in further decline since January. The country is also grappling with instability in commodity markets and the resulting weakness in GDP growth. The government is now implementing stimulus programs in answer to this situation. Future market developments, however, will bear close scrutiny. In Asia, the general slowdown in China has left revenue growth in the first months of 2012 roughly on par with last year in both divisions.

Consolidated earnings continue positive trend
Consolidated earnings before interest and tax (EBIT) totaled EUR 23.8 million in the first six months of 2012 (01 – 06 11: 25.8) – falling slightly short of the prior year. Operating profit in the first half year was influenced by the launch of truck seat production and costs for plant set-up in Rastatt and Bremen for console production, as well as intense volatility in commodity markets. Commodity prices have risen, strongly in some cases, as a result of economic developments and the associated rise in demand. Price risks are increasing, especially for steel and petroleum-based products. Current USD developments, coupled with a strengthening of emerging market currencies, are also having a negative impact. Both the favorable and negative effects on earnings from currency volatility must be watched closely given the international nature of our operations.

Group revenue by quarter (in EUR m)



Group EBIT by quarter (in EUR m)



Automotive division

Eurozone crisis and market contraction in Brazil weigh on worldwide automotive industry
Worldwide automotive industry performance in the first half of 2012 was regionally diverse. Alongside the positive sales numbers in the US, China, India and Japan, carmakers worldwide were under pressure from the euro crisis and a weak Brazilian car market.

Demand for passenger cars in the United States received a boost from lower fuel prices. Sales were up substantially in the markets for both cars and light trucks. In the first six months of the year, more than 7 million light vehicles (cars and light trucks) were sold – 15 % more than one year prior.

In Brazil, weakness persists in the car and commercial vehicles market. In June, demand for cars grew by nearly 19 % as a result of new government stimulus measures to 340,600 units. With 1.6 million units sold in the first half, however, the market remains stagnant (–0.4 %).

The Chinese market in the first quarter saw car sales decline by roughly 1.3 % to 3,773,700 units. Following a rise of 16 % (1.1 million units) in May sales, the Chinese market achieved growth of 9 % in total (6.4 million units) in the first six months of 2012.

In India, roughly 13 % more vehicles (1.5 million units) were sold in the first six months than in the same period last year.

An ongoing trend has been seen toward recovery in Japan as the initial effects of the natural catastrophe recede. The Japanese car market improved by nearly 57 % to 2.5 million units in the period from January to June.

The Russian auto market continues to recover, growing 14 % to more than 1.4 million units in the first half 2012.

In Western Europe, automotive markets were mixed. Especially in countries impacted directly by the sovereign debt crisis, demand for new cars was down dramatically. New vehicle registrations sank, e. g. in Spain (–8.2 %) and France (–14.4 %) over the January to June period. Greece and Portugal saw demand fall off by more than 40 % (41 % and 42 % respectively). The UK, on the other hand, at least achieved 3 % growth in the same period, while sales in the newer members of the EU increased by double digits (Poland 10 %, Hungary 20 %). In total, around 6.5 million new vehicles (–6.9 %) were registered in Western Europe during the first half of 2012.

The German auto industry remained extremely robust in the initial half of the year. New registration numbers were slightly higher in a year-over-year comparison. From January to June 2012, 1,634,401 vehicles were registered in Germany. This equates to an increase of 0.7 % over the prior-year period. According to the Kraftfahrt-Bundesamt of the new cars sold, 64.0 % are German makes. Both production and car export volumes were down marginally from the previous year. In the first half, 2,835,000 vehicles were produced (–1 %) and 2,155,700 (–1 %) exported.

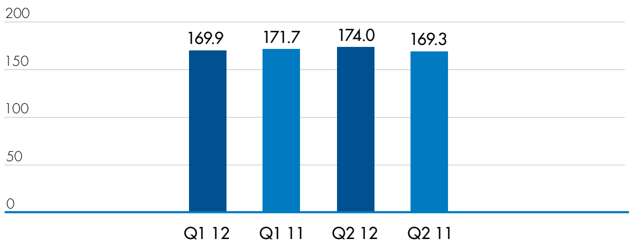
Automotive business characterized by new production starts and revenue growth

Despite the emerging decline in new vehicle registrations, revenue in our Automotive division rose in the first half of 2012 as a result of new production launches in 2011 and early 2012. As of June 30, 2012, revenue was up 0.9 %, or EUR 2.9 million, as compared to the previous year, and ended the period at EUR 343.9 million (01 – 06 11: 341.0). Thus, our positioning in the premium segment and new product launches in Europe offset for a marginal decline in sales volumes. In China as well, continued high demand for some of our customers' mid-range and premium class vehicles led to moderately higher revenue for GRAMMER. On the back of robust economic activity in the US, revenues held steady at a high level in the NAFTA region. The only exception was Brazil, where declines resulted from market weakness. Thus, despite the already strong first quarter, revenue saw a modest rise at a high level in the second quarter, increasing by EUR 4.7 million to EUR 174.0 million.

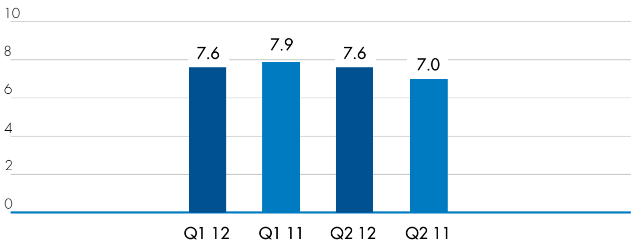
Operating profit in the Automotive division totaled EUR 15.2 million in the first six months (01 – 06 11: 14.9), as a result of the above developments and the set-up of new plants. In the second quarter, operating profit was up slightly to EUR 7.6 million (Q2 11: 7.0). The EBIT margin in the first half was 4.4 %, a modest improvement on full-year 2011.

The increase in commodity price and exchange rate volatility, especially in the Mexican peso, Polish zloty and Czech koruna also continued to influence results. The turbulence was unavoidable for GRAMMER Group given the rapid onset and high rates of volatility. Yet, the satisfactory developments in the first six months are a testament to the right product orientation, with a more diverse mix of core products. Nonetheless, the sudden spurts of volatility in exchange rates and commodity prices are a growing source of significant challenges for the Group.

Automotive revenue by quarter (in EUR m)



Automotive EBIT by quarter (in EUR m)



Seating Systems division

Weaker commercial vehicles market
The downward trend in the market for commercial vehicles carried over from the first to the second quarter of 2012. While performance varied across markets, there has been a broad weakening of the industry as a whole. Weakness, especially in the markets of Western Europe and Brazil, weighed on sales.

The recovery in the North American commercial vehicles market, however, continues to hold. In June alone, 30,330 units were sold – an increase of 10 %. Sales of heavy trucks were particularly strong, finishing the period 19 % higher. From January to June, 38 % more heavy trucks (99,246 in total) were sold in the US than in the same period last year.

In Brazil, introduction of new emission norms and the expiration of tax rebates continue to have a negative impact. Truck sales were down 14 % in the first six months of the year.

Following a decline in the first quarter, the Chinese market bounced back in May, with sales up 2 % to 511,000 commercial vehicles. Up to June, sales numbers had been down roughly 7 % (3,178,706 units) over the previous year.

The Indian market continues to grow. In the initial six months of this year, 409,900 commercial vehicles were sold – a 8 % improvement year-over-year.

The Russian market was up by 15 % year-over-year in the January to June period, with 96,986 vehicles sold.

The declining trend in Western Europe carried over from the first quarter to the second quarter. Commercial vehicle sales were down 5 % in June. From January to June, 865,763 vehicles were sold (–11 %).

Contraction was seen in the market for commercial vehicles in Germany as well, with 157,672 new commercial vehicle registrations in the first six months. This represents a decline of 2 %.

Agricultural machinery
Agricultural machines continue to enjoy a favorable market environment in Germany. The first quarter was record-setting with sales totaling EUR 2.23 billion. For the entire first half, VDMA (Verband Deutscher Maschinen- und Anlagenbau e. V.) is expecting sales by German manufacturers in Germany to increase by 6 – 8 % according to its most recent calculations. New order volumes are high; VDMA reports 93 % capacity utilization in the German agricultural machine industry for April 2012.

Material handling
According to the industry association, bbi (Bundesverband der Baumaschinen-, Baugeräte- und Industriemaschinenfirmen e. V.), the majority of material handling vehicle dealers currently have a positive view of the market situation.

Construction machinery
Sentiment is still positive in the construction equipment and building material machinery industry according to VDMA. This situation is underlined by the continued high order flows.

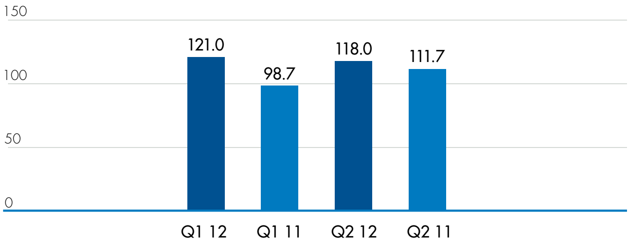
Railway
The positive developments in 2011 have carried over into the first half of 2012.

Performance in the first half year influenced by strong order situation and new production starts
As in 2011 and the first quarter of 2012, performance in the Seating Systems division remains very positive. The various product segments within the division have performed especially in Europe despite weakening in the Brazilian market and have continued their high rates of production.

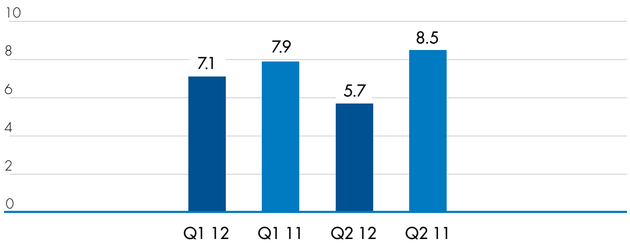
In the second quarter of 2012, the positive trend continued – albeit at a somewhat slower pace. Strong demand for offroad products and stable revenue performance in European truck markets were among the main sources of growth. In the Americas and Asian offroad markets, revenues were also higher. As a result, revenue was once more up considerably from the prior-year quarter. Weak sales and depreciation of the Brazilian real, however, impacted the division negatively in the initial months of the year. In the railway segment, market performance in the first half of 2012 was subdued, though better than in the previous year.

Thus, revenue in the Seating Systems division rose by 13.6 % to EUR 239.0 million (01 – 06 11: 210.4). The positive trend of the first quarter carried through to the second quarter as well, with revenue increasing to EUR 118.0 million (Q2 11: 111.7). New production starts at the new truck seat plant and the related capacity adjustments at the final assembly plants, along with lower revenue in Brazil had a negative impact on earnings, which could not be fully offset by offroad business. Accordingly, operating profit in the Seating Systems division was down in the first half of 2012, to EUR 12.7 million compared to EUR 16.4 million in the same period last year. Production capacities must be set up for truck seat production, and these activities have been on schedule thus far.

Seating Systems revenue by quarter (in EUR m)



Seating Systems EBIT by quarter (in EUR m)



Financial position

Note on accounting figures: 2011 = December 31, 2011

Total assets higher due to growth

As of June 30, 2012, the total assets of GRAMMER Group amounted to EUR 672.0 million (2011: 625.2). This equates to a rise of EUR 46.8 million as compared to the close of 2011, attributable largely to the increase in trade accounts receivables and inventories as a result of business development. The revenue increase in Seating Systems and the inventory build-up for truck seat production have led to an increase in GRAMMER Group's current assets, which rose EUR 47.4 million to EUR 412.0 million. Trade accounts receivables increased to EUR 168.1 million (2011: 137.8) and other current financial assets to EUR 60.9 million (2011: 57.9). As mentioned, inventories were up on the prior-year level, at EUR 116.4 million (2011: 104.0), due to production launches. Cash and short-term deposits equivalents at the reporting date were slightly higher at EUR 47.3 million (2011: 46.7). Non-current assets were down a bit from the prior year at EUR 259.9 million (2011: 260.6).

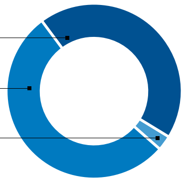
GRAMMER Group's equity was up from the 2011 year-end level at EUR 219.4 million (2011: 211.2), as a result of positive business performance. At roughly 33 % (2011: 34), the equity ratio is almost on the level as of December 31, 2011.

Non-current liabilities rose marginally to EUR 229.1 million (2011: 226.7), due primarily to retirement benefit obligations changes. Current liabilities were up by EUR 36.1 million. Current financial liabilities increased by EUR 2.7 million to EUR 11.8 million (2011: 9.1). Business developments resulted in a EUR 23.2 million increase in trade accounts payable, as well as a rise of EUR 12.0 million in other current liabilities. Thus, the asset-side expansion has been balanced predominantly through operating liabilities and not through our financing sources. Restructuring of Group financing has decisively improved the balance sheet structure and served to significantly align the maturities of liabilities.

GRAMMER continues investment activities in new products

Investments by GRAMMER Group, at EUR 6.6 million (Q2 11: 7.0), were down compared to the same period last year. With the setup of production for the new generation of truck seats and spending on expansion to optimize production in the Seating Systems division during second quarter, the Company invested EUR 2.9 million (Q2 11: 4.0) in property, plant and equipment. In the Automotive division, investments totaled EUR 3.5 million (Q2 11: 2.9), which was used primarily for expansion to fill orders received in 2011, and for building of center console production capacities. In the Central Services division, we continued to hold back on investment.

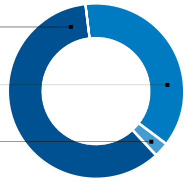
Investments by segments, January to June 2012 (previous year in brackets)



in EUR m

	01 – 06 2012	01 – 06 2011
Automotive	6.3	6.1
Seating Systems	7.7	10.5
Central Services	0.4	0.3
Total	14.4	16.9

Employees by segments, June 30, 2012 (previous year in brackets)



as of June 30

	01 – 06 2012	01 – 06 2011
Automotive	5,432	5,115
Seating Systems	3,356	3,075
Central Services	242	179
Total	9,030	8,369

Employees

As of June 30, 2012, GRAMMER Group had a total of 9,030 employees (June 30, 2011: 8,369). The number of people employed in the Automotive division increased to 5,432 (June 30, 2011: 5,115). As of June 30, 2012, the Seating Systems division employed a total of 3,356 people (June 30, 2011: 3,075). The Central Services division employed 242 (June 30, 2011: 179).

In the Automotive division, the number of direct employees was increased, especially at plants outside of Germany, as the demand increases and new projects were begun. In particular, the locations in China, Mexico and Serbia hired new employees due to new production starts and increasing sales. In Germany, expansion of the workforce was attributable primarily to the built-up of new production sites for center consoles. In the Seating Systems division, personnel development was heavily influenced by strong sales growth and start-up of truck production, which necessitated increases in operating personnel capacity.

Through implementation of further optimization measures at GRAMMER locations, especially the Haselmühl plant and in Wackersdorf, as well as additional efficiency enhancing measures, the improved cost structures and productivity levels in both divisions are to be further optimized to continue improvement of operating profit and foster slower than normal personnel expansion.

Outlook for full-year 2012

Global economic outlook

In the view of many research institutions, the world economy will continue losing steam in the second half of the year. The Kiel Institute for the World Economy (IfW), in its June forecast, sees clouds gathering on the global economic horizon. The uncertain outcome of the sovereign debt crisis and the accompanying nervousness in financial markets could hinder any sustained economic recovery. The IfW is therefore predicting 3.4 % economic growth globally for all of 2012.

In the USA, the IfW is expecting that an increase in private household purchasing power and a fall in crude oil prices will cause the economy to accelerate in the second half of the year and gross domestic product to grow by 2.1 %.

Emerging market economies will continue to grow, albeit at a somewhat slower rate. China is expected to grow at 8 %, assuming more expansive monetary and fiscal policy and an increasingly important role played by private consumption. In India, 7 % growth in aggregate production is expected. The IfW expects that the economy in Brazil will again get back on track and that its gross domestic product will grow by 2 % this year. Here too, financial policy stimulus should provide significant momentum for making up some of the contraction of the first six months in some key industry segments.

Economic performance in the eurozone is expected to fall by 0.4 %, with very diverse economic scenarios playing out in the various EMU (European Monetary Union) countries. The IfW expects Spain and Italy to experience a drop in overall economic production; likewise in Greece and Portugal where the drop is expected to be severe. On the other end of the spectrum are Germany, Austria and Finland, where growth could be positive. The IfW now expects German growth to come in at 0.9 %, an upward revision of its spring forecast of 0.7 %.

Automotive industry – outlook 2012

The automotive industry is proving robust
The German Association of the Automotive Industry (VDA) is holding to its forecast of growth in the automotive industry. By year-end, they expect a growth of about 4 % to 68 million vehicles. There will, however, be a broad range of performance across different markets.

According to VDA, replacement demand has built up in the USA, and the association is thus predicting that the light vehicles market will grow by 10 %.

The market in China will grow by about another 8 %, with further upside potential, reports VDA. Vehicle sales in China could be bolstered by falling interest rates on financing as the year progresses.

For Japan and India, double-digit growth rates are expected. VDA sees demand in Japan growing by 32 % this year, and by 10 % in India.

In Europe, a mixed picture has emerged. Especially in Southern Europe, a significant drop in sales is expected. VDA forecasts a 17 % decline in Italy, and 30 % in Portugal. France is expected to see 10 % fewer new car registrations in 2012. At the same time, France is seen as having potential for stabilization in the second half.

For Germany, VDA is expecting a modest 2 % drop, following a first half in which the market slightly outperformed the previous year. A total of 3.1 million cars are expected to be sold for the year as a whole. Thanks to continued high domestic demand, the German market is considerably more robust than Europe overall. Crucial to performance in the second half will be developments in crude oil prices and the sovereign debt crisis in the eurozone.

Commercial vehicles industry – outlook 2012

Regional differences across commercial vehicle markets in 2012
VDA expects the global market for heavy commercial vehicles to grow by 5 % to 3.27 million units in 2012.

Growth is once more expected to be robust in the USA. Forecasts call for a 20 % year-over-year increase in new heavy commercial vehicle registrations in 2012.

VDA is sticking with its forecast of a 7 % decline in commercial vehicle registrations in Brazil, though worsening economic fundamentals may necessitate a downward revision.

The outlook for China has been revised. Presently, 5 % fewer new vehicle registrations are expected for China compared to last year. The Indian market is expected to grow by a modest 5 %.

As the euro debt crisis unfolds, the market for commercial vehicles in Western Europe continues to contract. A total of 1.8 million – or 6 % – fewer new commercial vehicle registrations are expected this year. The heavy truck segment is expected to see a less severe decline of around 4 %, with new registrations running at between 250,000 and 256,000 units.

Based on VDA estimates, the commercial vehicle market in Germany will contract by 3 %.

Agricultural machinery industry
Agricultural machines continue to enjoy a favorable market environment. According to the forecast of VDMA (Verband Deutscher Maschinen- und Anlagenbau e. V.), global production will increase by 7 % to EUR 86 billion – a new record. Sales of agricultural machinery in Germany are expected to rise by 5 % to EUR 7.3 billion.

Material handling
The industry association, bbi (Bundesverband der Baumaschinen-, Baugeräte- und Industriemaschinenfirmen e. V.), continues to have a positive outlook for the material handling industry. Growth of about 1 % is expected for the current year.

Construction machinery
VDMA is forecasting 5 % growth in sales for the construction machine industry in 2012. Impetus for this growth is coming mainly from North America, Russia and Latin America. Revenue is expected to be down, however, in Southern Europe and China.

Railway
Following the record year for new orders in 2011, the German Railway Industry Association (VDB) is also expecting positive developments in the railway equipment business in 2012, and anticipates a 2% rise in rail vehicle sales.

Automotive division – outlook 2012
For the Automotive division, based on current forecasts, we are expecting stable revenue development for 2012. For a number of premium and luxury class vehicles, there has been a stable rise in sales since the model changeover, especially in German OEMs and export business. This will also have a positive effect on our business performance. Revenues by year end will be at the previous year's level thanks to various new production starts, a beginning recovery in Chinese markets and positive developments in the US economy. Developments in export and emerging markets, however, are more difficult to gauge, as a result of higher order volatility and currency fluctuations. Assuming demand remains at the current level, the new production starts in the premium and luxury segments will contribute to revenue stabilization in the coming months. Risks from the euro crisis and the related danger of declining OEM sales, however, could have a limiting effect on revenue growth. Thus far, there has been no noticeable impact from the aftermath of these events and difficulties – or the effects have been offset by new production launches. The future of these increased order volumes and their constancy until the end of the year cannot yet be fully quantified given the current lack of concrete information from OEMs, but there have been a growing number of warning voices for the fourth quarter, even in the premium segment.

Alongside revenue performance, operating profit in 2012 will be substantially affected by commodity market and exchange rate developments. The impending expansion of production capacities for new products continue to influence the results. With the expected stable revenue levels, operating profit could improve further, as long as product launches continues as planned by customers and no additional costs arise from substantially higher commodity prices. We are therefore expecting operating profit to be clearly positive in the coming quarters.

Seating Systems division – outlook 2012
In the Seating Systems division, the significant year-over-year revenue increases have stabilized in the offroad segment. The favorable order situation has continued to improve on seasonal factors, and will continue at this level for the foreseeable future. Demand has displayed a stable seasonal pattern through the summer months to date, at least in Europe and the US; demand has remained weak in South America. In truck seat business, markets are cooling down in Europe, while demand in the US is high. Weakness persists in Brazil and other emerging market countries. New production starts for truck seats in Europe have helped us to offset the overall market trend and achieve growth, so that revenue will continue to hold at previous year's levels. In all, revenue in full-year 2012 will be substantially higher year-over-year, though the rise will slow as always now that fall and winter approach. Thus, the second six months of the year will see positive revenue development that exceeds last year's expectations, provided no major turbulence emerges on foreign exchanges and commodity markets from the euro crisis.

As a result of the revenue levels in offroad business and stable sector performance, we expect that our good market position and still satisfactory exchange rate environment will result in the Seating Systems division continuing to perform at the current level over the coming months, despite startup costs. The start of truck seat production will naturally impact the cost situation, but within the range foreseen in planning. Especially market weakness in Brazil is also resulting in margin pressure that could impact the division's results. Moreover, there is a level of risk from commodity prices, which can be especially problematic for this division since the market already exerts substantial price pressures given the oligopolistic structures in steel and petroleum-based products. Exchange rate volatility is also a difficult risk to calculate given our growth in the emerging markets. On the whole, however, the earnings outlook is on par with last year, even though a weaker second half is to be expected as a result of season factors.

GRAMMER Group – outlook for full-year 2012

There are growing signs of an impending slowdown in economic activity and customer demand, giving rise to a critical situation throughout the various markets. Risks remain as well from the prevailing currency market situation in connection with the euro crisis and commodity prices. In the quarter, revenues were up substantially, and indications are positive for the coming quarter as well. Orders, however, are still characterized by short lead times and volatility, which could lead to declines with little or no warning. Customers continue to hold back with concrete forecasts and reliable, long-term order volumes. GRAMMER Group's business performance is closely tied to macroeconomic and industry-specific conditions, and is thus largely determined by external factors. Consequently, despite relatively stable performance, problems could arise with revenue and earnings, over which the Company has no influence, especially in light of the euro crisis. For 2012, following strong performance in 2011, GRAMMER Group expects due to newly launched truck seat production and our positioning as a premium supplier in Europe to result in stable revenues to the end of the year. Revenue performance will beat previous-year levels by percentages in the low-single digits in full-year 2012, and remain on a level with last year over the coming months. The startup of truck seat production and market developments in South America and China will be the central areas of focus at the headquarters of GRAMMER Group as the year progresses. Based on the current developments and the still positive environment, earnings expectations in this fiscal year remain optimistic. Despite seasonal weakness in the final quarter and taking into account production startup costs, full-year earnings should be roughly on par with the previous year, provided no further risks arise from exchange rate and commodity developments and the euro crisis does not significantly impede economic development.

Summary statement by the Executive Board

With a view to the business situation in the first six months of 2012 and the economic environment in Europe, Asia and the USA, our outlook for GRAMMER Group remains promising. Considering our forecast of revenue performance and the measures already implemented throughout the Group, we expect to see full-year operating profit on a level with last year. The risks from exchange rates and commodity markets, as well as the euro crisis and the market development in Brazil, are being closely monitored and may have a slight slowing effect in the event of extreme developments. With the signs of stable economic development, we see the pieces in place for a repeat of positive earnings performance in 2012, as well as a continuation of our growth in revenue and earnings.

Opportunities and risks

In addition to the risks and opportunities to which we refer in the Management Report of the Annual Report for the fiscal year ended December 31, 2011, 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 Company's current planning, estimates and expectations. Consequently, they are subject to risks and factors of uncertainty. Moreover, there is an increased risk of price increases and insolvency among our suppliers, which our purchasing department is attempting to mitigate through expanded monitoring activities and global sourcing.

Responsibility statement

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

Events subsequent to the reporting date

Effective at close of the 2012 Annual General Meeting on May 23, 2012, Dr. Peter M. Stehle, shareholder representative to the Supervisory Board, stepped down from the Supervisory Board. We thank Dr. Stehle for his long years of work for the good of our Company. Dr. Hans Liebler was elected as a member of the Supervisory Board by the 2012 Annual General Meeting. Ms. Ingrid Hunger, who was officially appointed to the Supervisory Board by the Amberg Local Court in August 2011, was duly elected to the Supervisory Board by the Annual General Meeting. Mr. Joachim Bender, employee representative and deputy Chairman of the Supervisory Board, stepped down effective June 30, 2012. We thank Mr. Bender for his work in the Supervisory Board of our Company. CFO, Mr. Alois Ponnath, departed from the Company at the close of the Annual General Meeting. We thank Mr. Alois Ponnath for his years of service and his accomplishments on behalf of GRAMMER AG. His successor, Mr. Volker Walprecht, was appointed by the Supervisory Board as a new member of the Executive Board and will take over as CFO effective October 1, 2012.

Amberg, July 25, 2012

GRAMMER AG
The Executive Board

Consolidated Statement of Income January 1 – June 30

EUR k	Q2 2012	Q2 2011	01 – 06 2012	01 – 06 2011
Revenue	287,638	274,535	573,415	537,487
Cost of sales	–253,046	–238,820	–500,604	–462,257
Gross profit	**34,592**	**35,715**	**72,811**	**75,230**
Selling expenses	–6,882	–6,380	–13,196	–12,780
Administrative expenses	–18,180	–18,744	–39,723	–41,528
Other operating income	2,164	3,128	3,890	4,908
Operating profit/loss (–)	**11,694**	**13,719**	**23,782**	**25,830**
Financial income	295	340	628	646
Financial expenses	–3,388	–3,165	–6,599	–6,276
Other financial result	152	5	–27	–1,529
Profit/loss (–) before income taxes	**8,753**	**10,899**	**17,784**	**18,671**
Income taxes	–3,979	–6,164	–5,335	–9,031
Net profit/loss (–)	**4,774**	**4,735**	**12,449**	**9,640**
Of which attributable to:				
Shareholders of the parent company	4,755	4,702	12,396	9,567
Non-controlling interests	19	33	53	73
	4,774	**4,735**	**12,449**	**9,640**

Earnings/loss (–) per share

	01 – 06 2012	01 – 06 2011
Basic/diluted earnings/loss (–) per share in EUR	1.11	0.90

Consolidated Statement of Comprehensive Income January 1 – June 30

EUR k

	Q2 2012	Q2 2011	01 – 06 2012	01 – 06 2011
Net profit/loss (–)	4,774	4,735	12,449	9,640
Gains/losses (–) from currency translation for foreign subsidiaries				
Gains/losses (–) arising in the current period	24	–284	–831	–2,575
Less transfers recognized in the Income Statement	0	0	0	0
Tax expenses (–)/Tax income	0	0	0	0
Gains/losses (–) from currency translation for foreign subsidiaries (after tax)	24	–284	–831	–2,575
Gains/losses (–) from cash flow hedges				
Gains/losses (–) arising in the current period	–704	–317	–996	–317
Less transfers recognized in the Income Statement	–92	57	–127	57
Tax expenses (–)/Tax income	247	50	318	50
Gains/losses (–) from cash flow hedges (after tax)	–549	–210	–805	–210
Gains/losses (–) from net investments in foreign operations				
Gains/losses (–) arising in the current period	677	–182	1,912	–1,154
Less transfers recognized in the Income Statement	0	0	0	0
Tax expenses (–)/Tax income	0	0	0	0
Gains/losses (–) from net investments in foreign operations (after tax)	677	–182	1,912	–1,154
Other comprehensive income	152	–676	276	–3,939
Total comprehensive income (after tax)	4,926	4,059	12,725	5,701
Of which attributable to:				
Shareholders of the parent company	4,904	4,033	12,667	5,639
Non-controlling interests	22	26	58	62

Consolidated Statement of Financial Position as of June 30, 2012

ASSETS

EUR k

	June 30, 2012	December 31, 2011
Non-current assets		
Property, plant and equipment	161,047	159,680
Intangible assets	56,268	57,393
Other financial assets	4,884	4,866
Income tax assets	70	70
Deferred tax assets	37,667	38,577
	259,936	**260,586**
Current assets		
Inventories	116,374	103,993
Trade accounts receivable	168,114	137,801
Other current financial assets	60,889	57,930
Short-term income tax assets	2,706	2,781
Cash and short-term deposits	47,258	46,749
Other current assets	16,676	15,339
	412,017	**364,593**
Total assets	**671,953**	**625,179**

EQUITY AND LIABILITIES

EUR k

	June 30, 2012	December 31, 2011
Equity		
Subscribed capital	29,554	29,554
Capital reserve	74,444	74,444
Own shares	–7,441	–7,441
Retained earnings	119,438	111,528
Accumulated other comprehensive income	2,877	2,606
Equity attributable to shareholders of the parent company	**218,872**	**210,691**
Non-controlling interests	540	474
Total equity	**219,412**	**211,165**
Non-current liabilities		
Non-current financial liabilities	129,880	129,776
Trade accounts payable	1,966	3,260
Other financial liabilities	8,942	6,532
Other liabilities	0	2,302
Retirement benefit obligations	66,938	64,495
Income tax liabilities	1,136	786
Deferred tax liabilities	20,257	19,506
	229,119	**226,657**
Current liabilities		
Current financial liabilities	11,751	9,090
Current trade accounts payable	133,855	110,619
Other current financial liabilities	4,365	4,465
Other current liabilities	61,639	49,625
Current income tax liabilities	1,929	4,499
Provisions	9,883	9,059
	223,422	**187,357**
Total liabilities	**452,541**	**414,014**
Total equity and liabilities	**671,953**	**625,179**

Consolidated Statement of Cash Flow
January 1 – June 30

EUR k

	01 – 06 2012	01 – 06 2011
1. Cash flow from operating activities		
Profit/Loss (–) before income taxes	17,784	18,671
Non-cash items		
Depreciation of property, plant and equipment	12,443	11,625
Amortization of intangible assets	2,040	1,606
Changes in provisions and pension provisions	1,798	2,021
Other non-cash changes	–1,326	–3,793
Changes in net working capital		
Decrease/Increase (–) in trade accounts receivable and other receivables	–34,609	–30,996
Decrease/Increase (–) in inventories	–12,381	–4,136
Decrease/Increase (–) in other assets	985	3,726
Decrease (–)/Increase in accounts payable and other liabilities	31,354	19,501
Gains/Losses from disposal of assets	–259	–361
Income taxes paid	0	0
Cash flow from operating activities	**17,829**	**17,864**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–13,578	–16,697
Purchase of intangible assets	–862	–207
Purchase of investments	–105	0
Disposals		
Disposal of property, plant and equipment	909	836
Disposal of intangible assets	6	9
Disposal of investments	58	378
Interest received	628	646
Government grants received	699	1,089
Cash flow from investing activities	**–12,245**	**–13,946**
3. Cash flow from financing activities		
Dividend payments	–4,486	0
Issue of new shares	0	18,893
Changes in non-current liabilities to banks	104	196
Changes in current liabilities to banks	1,954	–13,292
Changes in lease liabilities	2,110	–791
Interest paid	–5,463	–5,112
Cash flow from financing activities	**–5,781**	**–106**
4. Cash and cash equivalents at end of period		
Net changes in cash and cash equivalents (sub-total of items 1–3)	–197	3,812
Effects of exchanges rate differences of cash and cash equivalents	0	0
Cash and cash equivalents as of January 1	44,904	16,391
Cash and cash equivalents as of June 30	**44,707**	**20,203**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	47,258	20,203
Securities	0	0
Bank overdrafts	–2,551	0
Cash and cash equivalents as of June 30	**44,707**	**20,203**

Consolidated Statement of Changes in Equity as of June 30, 2012

EUR k

	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Accumulated other comprehensive income: Cash flow hedges	Currency translation	Net investments in foreign operations	Total	Non-controlling interests	Group equity
As of January 1, 2012	29,554	74,444	111,528	–7,441	–662	9,939	–6,671	210,691	474	211,165
Net profit/loss (–) for the period	0	0	12,396	0	0	0	0	12,396	53	12,449
Other comprehensive income	0	0	0	0	–805	–836	1,912	271	5	276
Total comprehensive income	0	0	12,396	0	–805	–836	1,912	12,667	58	12,725
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	–4,486	0	0	0	0	–4,486	0	–4,486
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	8	8
As of June 30, 2012	29,554	74,444	119,438	–7,441	–1,467	9,103	–4,759	218,872	540	219,412

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

EUR k

	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Currency translation	Accumulated other comprehensive income: 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	9,567	0	0	0	0	9,567	73	9,640
Other comprehensive income	0	0	0	0	−210	−2,564	−1,154	−3,928	−11	−3,939
Total comprehensive income	0	0	9,567	0	−210	−2,564	−1,154	5,639	62	5,701
Capital increase by issuing new shares	2,686	16,414	0	0	0	0	0	19,100	0	19,100
Transaction costs	0	−207	0	0	0	0	0	−207	0	−207
Dividends	0	0	0	0	0	0	0	0	−35	−35
Own shares	0	0	0	0	0	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0
As of June 30, 2011	29,554	74,444	99,055	−7,441	−210	7,693	−5,925	197,170	490	197,660

Selected Notes to the GRAMMER AG Consolidated Statement of Income for the Period from January 1 to June 30, 2012 and the Consolidated Statement of Financial Position as of June 30, 2012

Accounting
GRAMMER AG prepared its Consolidated Financial Statements for fiscal year 2011 and the present Interim Financial Statements for the period ended June 30, 2012 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, 2012, 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 2011. 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, 2012, 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, 2012. 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 01, 2012 did not have a significant impact on the net assets, financial position and results of operations 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 period under review. The results for the first half of 2012 are not necessarily indicative of future business development.

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

Accounting and valuation principles
In preparing the Interim Financial Statements for the period ended June 30, 2012, and the comparative prior-year figures, the same accounting policies and principles of consolidation were applied as for the Consolidated Financial Statements for the year ended December 31, 2011. These principles and methods are described in detail in the Notes to the 2011 Consolidated Financial Statements, which were published in their entirety in the 2011 Annual Report. For 2012, the IASB has published further standards and requirements that currently do not appear to have any material impact on the Consolidated Financial Statements.

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

Scope of consolidation
In addition to GRAMMER AG, the scope of consolidation now includes five domestic and 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. 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, 2012.

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 profit or loss. 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 the income statement. 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 and 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 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 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 eurozone that are of relevance to the Group:

		Average rate		Closing rate	
		01 – 06 2012	01 – 06 2011	June 30, 2012	June 30, 2011
Brazil	BRL	0.413	0.438	0.388	0.442
China	CNY	0.122	0.109	0.125	0.107
United Kingdom	GBP	1.214	1.143	1.239	1.108
Japan	JPY	0.010	0.009	0.010	0.009
Mexico	MXN	0.058	0.060	0.059	0.059
Poland	PLN	0.235	0.252	0.235	0.251
Czech Republic	CZK	0.040	0.041	0.039	0.041
Turkey	TRY	0.427	0.450	0.438	0.426
USA	USD	0.769	0.709	0.794	0.692

Revenue

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

EUR k

	Q2 2012	Q2 2011	01 – 06 2012	01 – 06 2011
Gross revenue	288,813	275,403	575,655	539,381
Sales deductions	–1,175	–868	–2,240	–1,894
Net revenue	**287,638**	**274,535**	**573,415**	**537,487**

Revenue of EUR 573,415 thousand up to June 30, 2012 includes contract revenue of EUR 11,952 thousand (01 – 06 11: 15,938) determined using the PoC-method. Quarterly revenue of EUR 287,638 thousand includes contract revenue of EUR 6,923 thousand determined using the PoC-method. These revenues relate to development activities as well as working capital 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 3,890 thousand as of June 30, 2012 (01 – 06 11: 4,908) includes income from the reversal of provisions and valuation allowances and proceeds from the sale of scrap metal and material handling costs, as well as proceeds from the sale of property, plant and equipment.

Financial result

EUR k

	Q2 2012	Q2 2011	01 – 06 2012	01 – 06 2011
Financial income	295	340	628	646
Financial expenses	–3,388	–3,165	–6,599	–6,276
Other financial result	152	5	–27	–1,529
Financial result	**–2,941**	**–2,820**	**–5,998**	**–7,159**

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

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

Other financial result primarily relates to gains or losses from measurement of borrowing and loans in foreign currency terms and measurement of financial assets and liabilities at the reporting date.

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 until June 30, 2012, which are recognized as an expense in cost of sales, amounted to EUR 479,837 thousand (01 – 06 11: 442,552).

Selling expenses

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

Administrative expenses

Administrative expenses include all administrative expenditure which cannot be assigned directly to other functions, including expenditure for general administration, management and centralized departments. Other administrative expenses include income from exchange rate differences until June 30, 2012 in the amount of EUR 8,992 thousand (01 – 06 11: 6,693) and mainly relate to foreign exchange gains between the origination and settlement of foreign currency receivables and liabilities as well as foreign exchange gains resulting from measurement at the balance sheet date. Foreign exchange losses of EUR 7,541 thousand (01 – 06 11: 8,090) are also recognized under other administrative expenses.

Earnings per share

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

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

	01 – 06 2012	01 – 06 2011
Weighted average number of no-par value shares used to calculate basic/diluted earnings per share	11,214,624	10,617,386
Consolidated net profit/loss (–) (in EUR thousand)	12,396	9,567
Basic/diluted earnings/loss (–) per share in EUR	1.11	0.90

On April 14, 2011, GRAMMER AG implemented a capital increase from authorized capital by way of 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 for gross proceeds totaling EUR 19.1 million. In the period between April 14, 2011 and preparation of the consolidated annual financial statements, no further transactions have been concluded with ordinary shares or potential ordinary shares of the Company. No changes or further acquisitions of own shares occurred as of June 30, 2012.

Intangible assets

Intangible assets include capitalized goodwill as well as capitalized development costs. In the period under review, EUR 862 thousand were invested in licenses, software and other intangible assets. Amortization costs totaled EUR 2,040 thousand (01 – 06 11: 1,606).

Property, plant and equipment

In the period until June 30, 2012, EUR 13,578 thousand were invested in property, plant and equipment. Depreciation in the same period totaled EUR 12,443 thousand (01 – 06 11: 11,625).

Inventories

The rise in inventories to EUR 116.4 million (2011: 104.0) is primarily attributable to the recovery of business activities. All inventories are carried at cost. There were no significant write-downs to the lower fair value.

Trade accounts receivable

Total receivables of EUR 168.1 million (2011: 137.8) can be attributed to the structure of revenue development over the past several months. The fair values of trade receivables are equal to their carrying amount.

Other current financial assets

Other current financial assets primarily consist of receivables from construction contracts amounting to EUR 54.6 million (2011: 54.1), as well as other receivables in the amount of EUR 6.2 million (2011: 3.8).

Other current assets

Other current assets of EUR 16.7 million (2011: 15.3) include other assets totaling EUR 14.8 million (2011: 13.4) as well as EUR 1.8 million (2011: 1.9) from accruals and deferrals. Other assets primarily comprise pass-through tax claims such as value added tax, receivables from employees and receivables due from creditors with debit balances.

Subscribed capital

As of December 31, 2011 and June 30, 2012, subscribed capital of GRAMMER Group amounted to EUR 29,554 thousand divided into 11,544,674 no-par value 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 totaled EUR 74,444 thousand (2011: 74,444) as of June 30, 2012. The capital reserve includes the share premium from the capital increases in 1996, 2001 and 2011.

Revenue reserves

The statutory reserve of GRAMMER AG totaled EUR 1,183 thousand on June 30, 2012 (2011: 1,183), and is not available for the payment of dividends.

Revenue reserves also reflect income earned in the past by the companies included in consolidation, provided such income was not paid out as dividends. Revenue reserves increased year-over-year from EUR 111,528 thousand to EUR 119,438 thousand as a result of the first-half profit.

Accumulated other comprehensive income

Accumulated other comprehensive income mainly comprise adjustments arising from the translation of the financial statements of foreign subsidiaries, 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 net retained earnings of EUR 13.1 million on the reporting 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 revenue reserves and net profit of EUR 14.3 million. During the current year, based on the resolution of the Annual General Meeting on May 23, 2012, GRAMMER AG distributed a dividend of EUR 0.40 per share for fiscal year 2011. In total, taking into account that the Company holds 330,050 own shares according no dividend rights, EUR 4.5 million was distributed from net retained earnings. The remaining EUR 8.6 million will be carried forward.

Own shares

As of June 30, 2012 and 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 (post capital increase) represent 2.8589 % of share capital or (pre capital increase) 3.1448 % of share capital.

Authorizations

The Annual General Meeting on May 28, 2009 approved a conditional increase in share capital in the amount of 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 the bond holders who are under the obligation to convert their bonds or exercise their options comply with such obligations 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 kind. A general shareholder subscription right applies to the new shares. The shares may also be underwritten by one or more banks subject to an obligation to offer them for subscription to shareholders. The Executive Board, 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 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.

Non-current liabilities
On August 22, 2011, GRAMMER AG issued a long-term debenture bond in the amount of EUR 60.0 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, and a new global credit facility amounting to EUR 78.5 million until 2014, GRAMMER AG is taking a proactive approach to restructuring of the Group's existing financing. The transaction also replaced, already in September 2011, the previous syndicated loan agreement totaling EUR 110 million that was set to expire in March 2013. The new structure of the Group's financing serves to considerably align the maturities of its liabilities. At the same time, GRAMMER AG was able to improve the terms and conditions of financing in its favor, while expanding the creditor base. Long-term financial liabilities comprise a debenture bond with a fixed interest rate of 4.8% and a total nominal value of EUR 70.0 million, which is payable primarily at the end of August 2013, as well as a further debenture bond with a total nominal amount of EUR 60.0 million, featuring both fixed and variable rates of interest on tranches of three, five and seven years.

Debts secured by mortgages and collateral pledged or assigned from fixed and current assets were eliminated through the debt restructuring.

The increase in pension and other obligations to EUR 66.9 million (2011: 64.5) 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 11.8 million are higher year-over-year (2011: 9.1) and include existing credit lines from bank overdrafts under the global credit facility, the majority of which bear interest at money market-based rates plus a fixed credit margin.

Other current liabilities of EUR 61.6 million are substantially higher than the prior-year level (2011: 49.6) as a result of business developments. This item consists primarily of social security obligations owed to social security authorities and liabilities to employees from outstanding leave, overtime, flextime etc. It also includes liabilities relating to value added tax.

Income tax liabilities principally comprise income taxes for fiscal 2011 and the first half of 2012.

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

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

Cash flow statement

The statement of cash flow presents the Group's cash flow situation broken down into cash inflows and outflows from operating activities, investing activities and financing activities, irrespective of the balance sheet classification of the respective items. Cash flow from operating activities is derived indirectly from net profit before taxes, which is adjusted to include non-cash expenses (primarily depreciation and amortization) and income. Cash flow from operating activities is calculated under consideration of the change in working capital. Investing activities comprise payments for property, plant and equipment as well as investments in intangible assets and investment property. Financing activities include cash outflows for dividend payments and repayments of loans, as well as changes in other financial liabilities. At GRAMMER Group cash and cash equivalents consists of cash and short-term money market funds, less current account liabilities to banks.

Segment reporting

Segment information

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

The **Automotive** division is the segment involved in development and production of headrests, armrests and center console systems. 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 machinery, construction machinery and forklifts), along with marketing of these to commercial vehicle manufacturers and in aftermarket sales. The division also develops and produces driver and passenger seats for bus and railway vehicle manufacturers and 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, 2011. The segment information is as follows:

Operating segments

EUR k

Fiscal year as of June 30, 2012	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	229,608	343,807	0	573,415
Inter-segment revenue	9,371	67	–9,438[1]	0
Total revenue	238,979	343,874	–9,438	573,415
Segment earnings (Operating profit)	12,746	15,174	–4,138	23,782

EUR k

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

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

Reconciliation

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

EUR k	01 – 06 2012	01 – 06 2011
Segment earnings (Operating profit)	27,920	31,368
Central Services	–2,700	743
Eliminations	–1,438	–6,281
Group earnings (Operating profit)	23,782	25,830
Financial result	–5,998	–7,159
Profit/loss (–) before income taxes	17,784	18,671

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

Related party disclosures

The following table details transactions with related parties as of June 30, 2012 and 2011:

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	2012	931	0	13,694	–43
	2011	879	0	10,094	0

Contingent liabilities

Guarantees in the amount of EUR 32 thousand are in place primarily for leased offices and as contract guarantees to ensure against breaches of contract as of June 30, 2012.

Changes to the Supervisory and Executive Board

Effective at close of the 2012 Annual General Meeting, Dr. Peter M. Stehle stepped down from the Supervisory Board. Dr. Hans Liebler was elected by the 2012 Annual General Meeting as a member of the Supervisory Board. Ms. Ingrid Hunger, who was officially appointed to the Supervisory Board by the Amberg Local Court in August 2011, was duly elected to the Supervisory Board by the Annual General Meeting. Mr. Joachim Bender stepped down from his position on the Supervisory Board effective June 30, 2012. CFO, Mr. Alois Ponnath, departed from the Company at the close of the Annual General Meeting. His successor, Mr. Volker Walprecht, was appointed by the Supervisory Board as a new member of the Executive Board and will take over as CFO effective October 1, 2012.

Financial Calendar and Trade Fair Dates 2012[1]

Important dates for shareholders and analysts

Interim Report, second quarter and first half-year 2012	08/08/2012
Interim Report, third quarter 2012	11/07/2012

Important trade fair dates

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

[1] All dates above are tentative and subject to change.

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