Interim Report

January to March 2011

Key Figures[1)]

in EUR m	Q1 2011	Q1 2010
Group revenues	263.0	203.0
Automotive revenue	171.7	136.3
Seating Systems revenue	98.7	71.8
Income statement		
EBITDA	18.6	9.8
EBITDA margin (in %)	7.1	4.8
EBIT	12.1	3.5
EBIT margin (in %)	4.6	1.7
Profit/loss (–) before income taxes	7.8	1.6
Net profit/loss (–)	4.9	0.1
Statement of financial position		
Total assets	587.7	521.2
Equity	174.7	154.4
Equity ratio (in %)	30	30
Net financial debt	105.9	114.5
Gearing (in %)	61	74
Investments	9.9	8.4
Depreciation and amortization	6.5	6.3
Employees (March 31)	**8,145**	**7,617**
Key share data	**March 31, 2011**	**March 31, 2010**
Share price (Xetra closing price, in EUR)	19.04	8.35
Number of shares	10,495,159	10,495,159
Market capitalization (in EUR m)	199.8	87.6

1) according to IFRS

Content

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

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

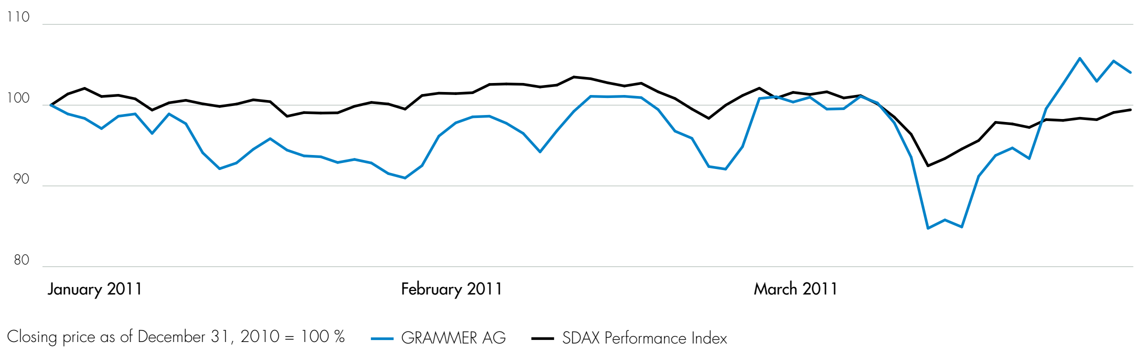
With more than 8,000 employees in 23 fully consolidated companies, GRAMMER has locations in 17 countries worldwide.

The GRAMMER share is listed in the SDAX, and trades on the Frankfurt and Munich stock exchanges, via the electronic trading system, Xetra, as well as in over-the-counter trading at the Stuttgart, Berlin and Hamburg stock exchanges.

COMPANY PROFILE

GRAMMER Share

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



DAX and SDAX

In the first quarter of 2011, performance of European equities was weaker, while volatility increased. The catastrophe in Japan and the irritation about increased aid for debt-ridden European states, at times resulted in significant price declines. The markets, however, rapidly recovered from these setbacks.

The DAX closed at 7,041 points on March 31, 2011, a slight increase of 1.84 % over the 2010 close. The SDAX index, where the GRAMMER share is listed, has been on a sideways trend over the past several months. It closed on March 31, 2011 at 5,144, which represents a decline of 0.58 % since the start of the year.

GRAMMER Share

On March 31, 2011, the GRAMMER share closed at EUR 19.04. In the period from January 1 to March 31, 2011, the GRAMMER share price rose 4.04 % compared to the closing price of EUR 18.30 on December 30, 2010.

Investor Relations

Our financial communication is based on an open dialogue and transparent communication with all stakeholder groups. In this quarter as well, we placed major emphasis on close contact and regular communication with investors and analysts. On March 30, 2011, we informed our stakeholders at the annual analyst and results press conference in Frankfurt about the current market situation and fiscal year 2010. At numerous road shows in spring in Europe's key financial centers, the Executive Board and Investor Relations department have presented the Company, the positioning and the business modell as well as the future strategy.

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

Shareholder structure as of March 31, 2011

Electra QMC Europe Development Capital Funds PLC in Dublin/Ireland owns 10.001 % of shares in GRAMMER AG. The voting rights percentage held by Wynnefield Partners Small Cap Value L.P. totals 4.05 %.

Only notifications relating to voting rights holdings of greater than 3 % have been taken into account.

Capital increase in April 2011

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

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

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

Upon commercial registration of the capital increase on April 14, 2011, the new shares were made available for trading on the Frankfurt Stock Exchange and the Munich Stock Exchange on April 18, 2011, and included under the current listing ISIN DE0005895403. The new shares carry full dividend rights for fiscal year 2011.

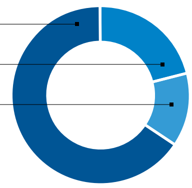
Global coordinator and sole bookrunner for the transaction was Baader Bank Aktiengesellschaft, with M.M. Warburg & CO as co-lead manager.

The first quarter of the GRAMMER Group 2011

Strong revenue and earnings performance

In the period from January to March 2011, both the Seating Systems and Automotive divisions saw significant revenue gains as compared to Q1 of the previous year, brought on by positive economic developments as well as new products launched in the year 2010. Consolidated group revenue was up 29.6 % to EUR 263.0 million (01 – 03 10: 203.0). As expected, Group EBIT substantially increased to EUR 12.1 million (01 – 03 10: 3.5).

Revenue by regions (previous year in brackets)



Revenue and Earnings

Global economy set to grow

The global economy is effected by uncertainties as a result of the natural and nuclear catastrophes in Japan as well as unrests in the Arabian region. The risks cannot yet be adequately assessed. However, global economy as a whole remains on a growth trend, albeit at a somewhat more moderate pace than in 2010. Growth is being propelled by emerging countries, which have as yet suffered little from the financial crisis and the government fiscal consolidation trend.

The high price of oil has had a slowing effect on economic growth in the US. However consumer confidence was up in April. Consumer spending plays a crucial role in the USA, making up roughly two-thirds of US economic output.

Gross domestic product in China increased by 9.7 % in the first quarter 2011.

Industrialized nations, on the other hand, saw growth only in places. Numerous countries continue to struggle with the effects of the financial and economic crisis. Government measures to consolidate budgets are also having a slowing effect.

Economic development in the eurozone varies from country to country. Some are experiencing stagnant growth as real estate markets continue to languish and unemployment remains high.

Germany has seen a period of sustained expansion. This trend is being carried by foreign demand as well as consumption at home. According to projections, GDP grew by 0.8 % to 1 % in the first quarter. This was attributable in part to the positive employment market situation. Unemployment figures declines in March to 7.1 %.

in EUR m

	Q1 2011	Q1 2010
Europe	172.8	133.8
Overseas	55.3	40.7
Far East/Others	34.9	28.5
Total	263.0	203.0

Group revenue up substantially

In the current overall economic environment, Group revenue increased substantially in the period until March 31, 2011 to EUR 263.0 million (01 – 03 10: 203.0). Thus, the positive revenue trend in the final two quarters of 2010 continued. Revenues were higher in all regions. Europe saw strong growth of more than 29 % to EUR 172.8 million (01 – 03 10: 133.8). The Overseas region grew by a pleasing 35.9 % to EUR 55.3 million (01 – 03 10: 40.7). The region Far East/Others at EUR 34.9 million (01 – 03 10: 28.5) grew as well, if somewhat more slowly after the strong phases of growth in the previous years.

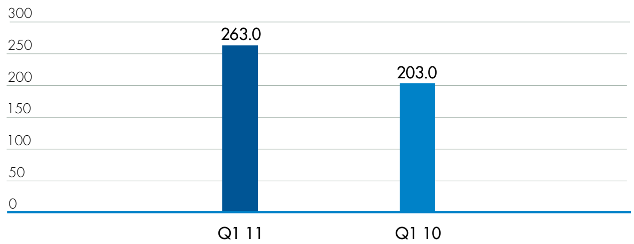
The clear growth in the Automotive division, especially in Europe and the US, was generated through new product launches as well as positive sales numbers and strong exports in the premium car segment.

In the Seating Systems division, there has been a substantial recovery, which has now led to stronger growth in Europe, alongside the growth markets of China and Brazil. Here, especially the offroad market shows a strong recovery after a weak first quarter in the last year. The increasing momentum gained from exports led to growth overall in the Seating Systems division and contributed to a stabilization of strong demand.

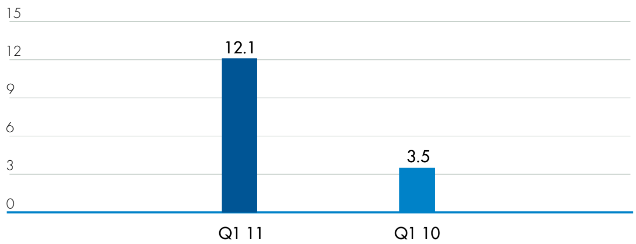
Both divisions achieved better sales in the Overseas region, and positive development continued on the back of improving economic conditions in the US. In Brazil, despite the high rate of revenue growth last year, the markets continue to see very robust growth. Though the market is expanding, future market development, however, must be very closely monitored. In Asia, revenue growth in the first three months of the current year continued to be higher year-over-year in both divisions.

Consolidated earnings continue positive trend
Consolidated earnings before interest and taxes (EBIT) remained on the same successful course as in the last quarters of 2010, receiving a boost from strong markets and the overall economic upturn. On March 31, 2011, operating profit was positive, at EUR 12.1 million, a substantial increase over the same period last year (01 – 03 10: 3.5). The measures implemented have taken hold and the high level of revenue in both divisions is also stabilizing earnings. Operating profit is being influenced by the expansion of truck production and intense exchange rate volatility. At present, the positive and negative effects of the US dollar and its high rate of volatility are a cause of concern given our the international nature of our operations. Moreover, commodity prices have risen, strongly in some cases, as a result of economic developments and the associated rise in demand. Price risks are increasing, especially for steel and petroleum-based products.

Group revenue development by quarter (in EUR m)



Group EBIT development by quarter (in EUR m)



Automotive division

Global automotive market continues to expand
Worldwide demand for cars has been very dynamic, with the last year's recovery carrying over into the first quarter of 2011.

New registrations of light vehicles in the US car market between January and March 2011 were up 20.2% year-over-year to EUR 3.06 million light vehicles. The passenger car segment improved by 17.9% to 1.5 million and the light trucks segment by a full 22.6% to over 1.5 million vehicles.

China's car market also remains very strong, though the pace of growth has slowed somewhat. In the first three months, 3.1 million vehicles were newly registered, respectively 12% more than last year. Accordingly, China is the world's number one market in terms of new vehicle registrations. German manufacturers also benefited from this growth, with sales up 30% to 637,800 new vehicles.

In March, sales of new cars in Japan fell by 37% over the same month last year, to roughly 279,000 vehicles. For the quarter as a whole, the number declined 25.6% to roughly 963,000.

Russia's car market was higher year-over-year in the first quarter, increasing 76.9% to around 517,000 vehicles. The growth rates are so high because the market had been so hard hit during the crisis.

Europe saw around 3.7 million cars were registed in the first quarter according to the European Automobile Manufacturers' Association – ACEA. This represents a slight decline in Europe-wide new vehicle registrations of 2.3%. Among Europe's volume markets, only Germany and France saw any growth. Germany posted an increase of 13.9% at the end of Q1. France also saw growth, of 8.9%. Italy ended the quarter with a 23.1% decline, and the UK was down 8.7%.

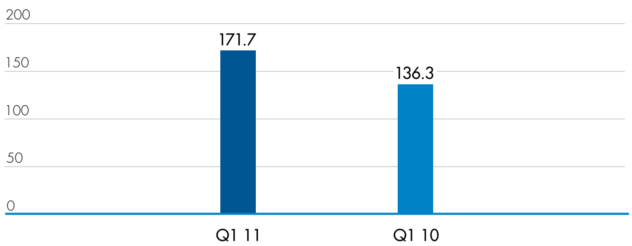
Auto sales in the new EU countries were up as a result of the economic recovery.

In Germany, the largest individual market in Europe, the German Automobile Manufacturers Association (VDA) reports roughly 763,000 new cars registered. This represents an increase of 14% year-over-year. In January alone, 211,000 new cars were registed in Germany, an increase of 16.5%. February also saw positive development of 15.2% to approximately 244,000 vehicles. The month of March ended 11% higher, with around 328,000 vehicles. Not only were new vehicle registrations up, production volumes have also continued to increase as a result of strong demand abroad. In the first quarter, 1.5 million new cars were produced, an increase of 8% on the first quarter of 2010. Of this number, 1.2 million vehicles were destined for export, which is 11% more than in the first quarter of 2010. The best performance was in the SUV, luxury and VAN segments. Here, higher demand has also been benefiting OEMs (original equipment manufacturers), and thus indirectly benefiting suppliers as well. The small and mini car segment was down year-on-year.

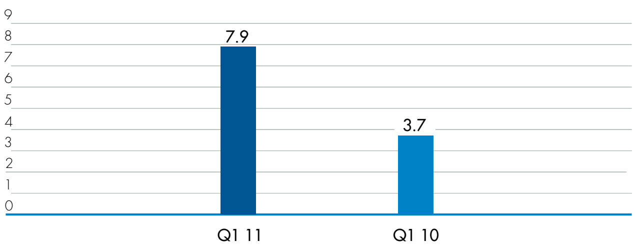
Automotive business characterized by new production starts and revenue growth

Business in our Automotive division in Q1 2011 was characterized by revenue growth from new production starts in 2010 as well as substantially stronger sales as compared to the same quarter the previous year. The further increase in demand for some of our customers' upper mid-size and premium vehicles, where sales were especially strong in places, as well as still booming export markets, meant that our revenue numbers continued to improve. On March 31, 2011, thanks to sales increases as a result of a recovering economy in Europe and the US, revenues were up 26 % or EUR 35.4 million year-over-year to EUR 171.7 million (01 – 03 10: 136.3). Through the new product launches and growth in the US, Automotive business has stabilized clearly in the US dollar region. Operating profit in the Automotive division increased to EUR 7.9 million in the first three months (01 – 03 10: 3.7), as a result of the above developments and the restructuring measures carried out last year. Thus, there was a significant improvement of EUR 4.2 million. Overall business developments show that the measures were implemented properly and in good time, as well as demonstrating the success of the strategy of investment in core growth products during the crisis.

Automotive segment revenue development by quarter (in EUR m)



Automotive segment EBIT development by quarter (in EUR m)



Seating Systems division

Commercial vehicles market on the upswing

The commercial vehicles market worldwide has seen positive developments over the first three months and is benefiting from the global economic recovery.

The US commercial vehicles market also continued to improve over 2010, growing 21 % in January and February.

The important Brazilian market for commercial vehicles has also seen rising registrations as compared to the previous year.

The Asian market was also up year-over-year. Only the Chinese market was stagnant.

In the EU, the number of commercial vehicle registrations was 14.7 % higher than in the first quarter of 2010. France saw an increase of 11.6 %. UK registration figures rose by 30 %. The rise for commercial vehicles up to 3.5 t in the first quarter was 10.2 %. In the segment, commercial vehicles over 3,5 t, the rate of expansion during the reporting period was as high as 50.7 %.

New commercial vehicle registrations in Germany were also higher than in the comparable period, by a total of 30.9 %. For commercial vehicles up to 6 t, the number rose to 58,863 vehicles, which is an increase of 23.6 %. Growth in vehicles over 6 t was even higher at 56.7 %. This means that a total of 21,527 commercial vehicles were registered new in the first quarter.

Agricultural machinery

Sentiment is currently positive among farmers, leading to increased willingness to invest as compared to 2010. This can already be seen in the numbers for new tractor registrations, which developed in a positive direction over the first quarter. In February, roughly 64 % more tractors went into operation than last year, followed by an increase of 31.8 % in March.

Material handling

After the recovery in materials handling equipment in 2010, the segment continued to improve in 2011. Worldwide demand increased in the first two months by 48 %; demand in Europe grew by roughly 62 %.

Construction machines industry positive for 2011

New orders for construction machines increased by over 50 % in recent months. Increasing demand came largely from abroad. Growth continues to be driven by Asia. In Europe, growth remains moderate.

Rail industry

The rail industry is benefiting from investments in the emerging markets. These investments are going towards rail networks and trains. In 2010, foreign orders for rail cars, locomotives and other equipment rose by nearly 30 %. Moreover, domestic demand resulted in a 9 % increase in new orders.

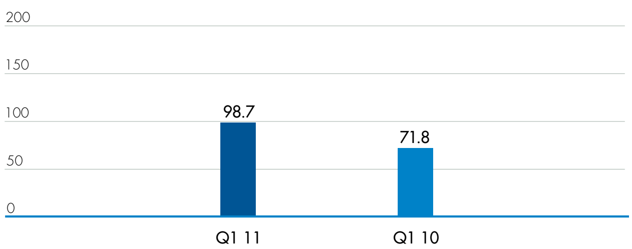
Positive business performance continues

As in the last quarters of 2010, performance in the Seating Systems division was very positive. The various product segments within the division generated extremely positive results and saw further high-level stabilization.

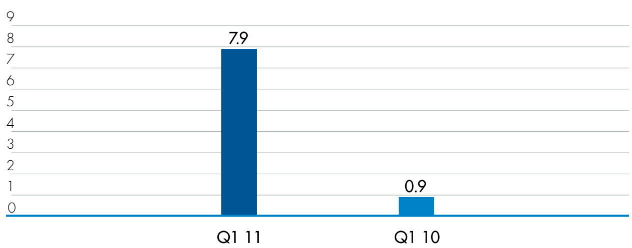
In the first quarter of 2011, the upward trend that began in the third and fourth quarter of 2010 continued impressively. A positive order situation in truck business, especially in Brazil, and a return of stronger offroad demand in Europe contributed to this solid performance. In the Overseas and Asian offroad markets, revenues also continued to grow. Revenues were thus up considerably from the same period one year previous, though this success should not be overstated given that the starting point was a below-average first quarter of 2010.

In the railway segment, market developments in the first three months of 2011 were subdued, as a result of ongoing effects from postponed projects in prior years. Thus, revenue in the Seating Systems division rose by 37.5% to EUR 98.7 million (01 – 03 10: 71.8). The initiated cost and capacity rationalization offensive in the offroad segment in Q1 2010 is now improving earnings, so that the operating result in Q1 2011 rose significantly in the Seating Systems division to EUR 7.9 million compared to EUR 0.9 million in comparable quarter. Carried by the revenue growth, the outstanding growth over the past three quarters continued in Q1. This underlines in a spectacular manner the effects of the prudently implemented restructuring measures, as well as the necessity of keeping structures lean in line with the low 2010 level.

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



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



Financial position

Note on accounting figures: 2010 = December 31, 2010

Higher balance sheet due to growth

As of March 31, 2011, the total assets of GRAMMER Group amounted to EUR 587.7 million (2010: 559.4). This equates to a rise of EUR 28.3 million as compared to the close of 2010, attributable largely to the increase in trade receivables and inventories as well as cash and short-term deposits. The uptrend in the performance of the divisions primarily affected current assets, which increased by EUR 27.4 million within GRAMMER Group to EUR 340.9 million. Trade receivables increased to EUR 152.6 million (2010: 138.3) and other current financial assets to EUR 53.8 million (2010: 50.5). Inventories were higher year-over-year at EUR 94.1 million, as a result of business developments, particularly at the March 31 reporting date (2010: 88.9). Cash and equivalents were slightly higher at EUR 19.2 million (2010: 17.2). Non-current assets were up EUR 0.9 million to EUR 246.8 million (2010: 245.9), as a result of investment in property, plant and equipment.

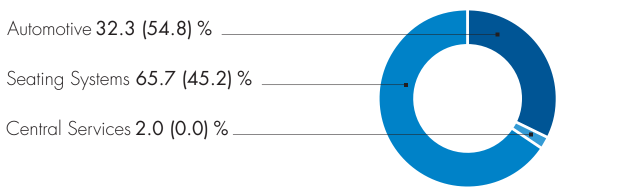
GRAMMER Group's equity was up slightly from the 2010 year-end level at EUR 174.7 million (2010: 173.1), as a result of positive business performance. Due to increase in total assets, the equity ratio was slightly below the level on December 31, 2010 at 30% (2010: 31).

To finance ongoing business, current liabilities increased by EUR 27.2 million to EUR 223.7 million (2010: 196.5). This change is primarily reflected by an increase of EUR 13.9 million in trade liabilities along with an increase in other current liabilities to EUR 73.4 million (2010: 54.5). Our active working capital management permitted a EUR 5.9 million reduction in current liabilities to banks. Non-current liabilities totaled EUR 189.3 million, which is EUR 0.5 million less than previous year (2010: 189.8).

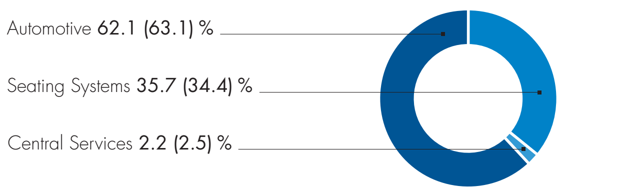
GRAMMER continues to push ahead with investments

Compared to the same period last year, investments by GRAMMER Group were up slightly at EUR 9.9 million (01 – 03 10: 8.4). With the setup of production for the new generation of truck seats and spending on expansion to improve efficiency in the Seating Systems division last year, the Company invested EUR 6.5 million (01 – 03 10: 3.8) in property, plant and equipment. In the Automotive division, investments totaled EUR 3.2 million (01 – 03 10: 4.6), which was used primarily for expansion as the result of orders received in 2010, for production starts in early 2011 and for building of production capacities in Mexico and Schmölln. In Central Services division we continued to hold back considerably on investments.

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



Employees by segments, March 31, 2011 (previous year in brackets)



in EUR m

	Q1 2011	Q1 2010
Automotive	3.2	4.6
Seating Systems	6.5	3.8
Central Services	0.2	0.0
Total	9.9	8.4

as of March 31

	Q1 2011	Q1 2010
Automotive	5,063	4,804
Seating Systems	2,904	2,623
Central Services	178	190
Total	8,145	7,617

Employees

As of March 31, 2011, GRAMMER Group had a total of 8,145 employees (03/31/10: 7,617). The number of people employed in the Automotive division increased to 5,063 (03/31/10: 4,804). As of March 31, 2011, the Seating Systems division employed a total of 2,904 people (03/31/10: 2,623). The Central Services division employed 178 (03/31/10: 190), as a result of restructuring and fixed cost reductions.

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

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

Outlook for full-year 2011

Global economy – outlook 2011

According to forecasts by the IMF, the global economy will grow by 4.4% in 2011. The outlook, however, has dimmed somewhat since the catastrophe in Japan. Industrialized countries will see only moderate growth, the developing and emerging markets will again experience strong growth.

In the United States, GDP is forecast to rise by 2.8% (IMF forecast). US economic performance depends on fiscal consolidation and the development of the job market.

China will once again lead the world in economic growth. Expectations for China foresee GDP increase of 9.6 % in 2011.

Eurozone growth is set to increase by 1.6% in 2011. Momentum is being slowed by cuts in public sector spending given the high rates of debt in some EU countries.

The German economy has once again picked up momentum, and will continue to grow in 2011. Leading economics institutes have raised the forecast and are now expecting a 2.8% rise in GDP, up from 2.0% in the autumn.

Automotive industry – outlook 2011

Dynamic growth in car markets

As a result of the ongoing positive development of the global economy, the VDA expects that roughly 7% more new vehicles will be registered in 2011. Especially in the US, China and India, growth is expected to be strong. And, there is a growing trend toward cars with less of a climate impact. It still remains to be seen, however, what effect the natural and nuclear catastrophes in Japan will have on the automotive industry.

For the American market, double-digit growth is expected. According to forecasts, the market could grow by as much as 11 % to 12.8 million new vehicles.

The outlook for the Chinese car market is also very positive. Forecasts put the number of new cars at 12.5 million newly registered vehicles, an increase of 11 %. There are factors of uncertainty in this context: For instance, government incentives for small cars could be discontinued. There are also plans that could subject car ownership to numerous strict requirements in the future. These are a reaction to the insufficient infrastructure, increasing air pollution and overfilled Chinese cities.

For Japan itself, it is expected that 26 % fewer vehicles will be sold, or 1.1 million less than last year.

For the Russian car market, growth is expected to reach approximately 14 % to 2.2 million vehicles.

For Western Europe, new vehicle registrations are expected to remain stable year-over-year. Here, registrations of more than 13.0 million vehicles are projected.

The number of new registrations in Germany, according to the VDA, will rise to 3.1 million vehicles, marking a return to 2008 levels. Production volumes in Germany are also expected to increase 5 % year–over–year, at 5.8 million units.

Commercial vehicles industry – outlook 2011

Commercial vehicles industry continue to grow
The worldwide market for commercial vehicles is forecasted to continue improving.

In the US, it is expected that sales of commercial vehicles will increase 29 % to 280,000 commercial vehicles. Production is forecasted to increase by 37 %.

The Chinese commercial vehicles market, the world's largest, is likely to move laterally. For full-year 2011, around 6.9 million new registrations are forecast.

India will to see a 12 % rise in new vehicle registrations to 730,000 units.

For Western Europe, the outlook is positive, with growth of 6 % to 1.8 million vehicles anticipated. In the new EU countries, growth is expected to be as high as 28 % to 156,000 vehicles.

The rise in new registrations in Germany is forecast at roughly 8 %, or 306,000 units. Production in Germany is set to rise 11 % to 394,000 vehicles.

Agricultural machinery industry optimistic for 2011
For full-year 2011, the German Engineering Federation (VDMA) is anticipating growth of 10 %, carried by the order backlog from 2010 and higher levels of income in the agricultural sector. In all, investments in the agricultural sector are expected to stagnate at 2010 levels. There could, however, be a shift towards investment in the direction of machines and equipment.

Growth is also expected in the other countries of the European Union given that incomes of farmers increased by 12 % in 2010. The North American market is also expected to grow.

Construction industry
Worldwide construction is increasing by 4 % annually, which is also fuelling demand for construction machines. The impetus for this came primarily from foreign markets, especially from Asia and South America.

With strong economic growth and government development programs favoring the construction sector, growth is expected in China for 2011. Construction continues to grow in Europe as well. With regard to demand for construction machines in Germany, a rise of 10 % is forecast for 2011.

Railway
As a result of the economic recovery, growing demand for transport channels by a growing population and the related investments being made in emerging markets, experts are projecting 2 % to 2.5 % annual growth in the rail transport industry.

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

In addition to the revenue expectations, the 2011 operating result will also be substantially affected by commodity market and exchange rate developments. The impending restructuring measures at Immenstetten location and the expansion of production capacities for new products have not yet carried through to results. With the expected stable revenues, operating results could climb further, as long as ongoing production is continued as planned by the customer and no additional costs arise from higher commodity prices. We are therefore expecting operating profit to be clearly positive in the coming quarters.

Seating Systems division – outlook 2011

In the Seating Systems division, last year's significant revenue increases stabilized in the offroad segment. The favorable order situation continued to improve on seasonal factors, and will continue at this level for the foreseeable future. Truck business is showing constant positive development in Europe and the emerging markets, so that revenues will hold steady at a high level. In all, revenues for full-year 2011 will perform slightly better year-over-year. The last months of the year, however, are unlikely to bring any significant impetus due to seasonal factors.

As a result of the better revenue levels in offroad business and improving sector performance, we expect that our good market position and still tolerable exchange rate environment will result in Seating Systems business remaining at this pleasing level over the coming months. Notable risks include commodity price speculation, as the market exerts considerable price pressure on steel and petroleum-based products.

Outlook for full-year 2011 – GRAMMER Group

The positive momentum from economic developments and customer demand are stabilizing, clearly giving rise to a positive outlook. Risks remain, however, as a result of the situation in Japan as well as the development of exchange rates and commodity prices. In the quarter under review, revenues were up substantially, and indications are positive for the coming quarter, though orders are still characterized by short lead times and volatility. Customers are holding back with forecasts and steady long-term order volumes, e.g. because the situation with respect to deliveries from Japan is unclear even for some OEMs. 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. For the current year, GRAMMER Group is expecting moderate revenue growth to continue as the rapid turnaround in 2010 carries on. Revenue performance for full-year 2011 will beat previous-year levels by percentages in the mid-single digits and is expected to be slightly higher in the coming month. Conclusion of capacity adjustments at the Immenstetten location will remain the central focus at the headquarters of GRAMMER Group in the coming months. Based on the current developments and the moderately improved environment, earnings in this fiscal year are to be seen with considerably more optimism and will once again be higher than the previous year despite seasonal weakness in the last quarter, provided no further risks arise from exchange rate and commodity developments and the supply situation from Japan does not further impede our customers' supply chain.

Summary statement by the Executive Board

With a view to the business situation in the first three months of 2011 and the economic environment in Europe, Asia and the US, our outlook for GRAMMER Group remains promising. Based on the effects of earlier measures and completed restructuring, cost advantages are expected just as in 2010, which will likely lead to a positive operating result in the fiscal year in excess of the previous year levels. The risks in exchange rate developments and commodity markets are being monitored closely, and may have a slowing effect in the event of extreme peaks. With the signs of a stabilizing economic environment, we also see the basis for a very positive earnings situation compared to the previous years, as well as continuing our growth in revenue and earnings.

Opportunities and risks

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

Responsibility statement

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

Amberg, May 2011

GRAMMER AG
The Executive Board

Consolidated Statement of Income as of March 31, 2011

EUR k

	01 – 03 2011	01 – 03 2010
Revenue	262,952	203,038
Cost of sales	–223,437	–177,349
Gross profit	**39,515**	**25,689**
Selling expenses	–6,400	–6,684
Administrative expenses	–22,784	–16,943
Other operating income	1,780	1,479
Operating profit/loss (–)	**12,111**	**3,541**
Financial income	306	299
Financial expenses	–3,111	–3,550
Other financial result	–1,534	1,335
Profit/loss (–) before income tax	**7,772**	**1,625**
Income taxes	–2,867	–1,565
Net profit/loss (–)	**4,905**	**60**
Of which attributable to:		
Shareholders of the parent company	4,865	63
Non-controlling interests	40	–3
	4,905	**60**

Earnings/loss (–) per share

	01 – 03 2011	01 – 03 2010
Basic/diluted earnings/loss (–) per share in EUR	0.48	0.01

Group Statement of Comprehensive Income as of March 31, 2011

EUR k	01 – 03 2011	01 – 03 2010
Net profit/loss (–)	4,905	60
Gains/Losses (–) from currency translation for foreign subsidiaries		
Gains/Losses (–) arising in the current period	−2,291	−74
Less transfers recognized in the Income Statement	0	0
Tax expenses (–)/Tax income	0	0
Gains/Losses (–) from currency translation by foreign subsidiaries (after tax)	−2,291	−74
Gains/losses (–) from Cash flow hedges		
Gains/Losses (–) arising in the current period	0	0
Less transfers recognized in the Income Statement	0	0
Tax expenses (–)/Tax income	0	0
Gains/Losses (–) from Cash flow hedges (after tax)	0	0
Gains/Losses (–) from net investments in foreign operations		
Gains/Losses (–) arising in the current period	−972	3,531
Less transfers recognized in the Income Statement	0	0
Tax expenses (–)/Tax income	0	−136
Gains/Losses (–) from net investments in foreign operations (after tax)	−972	3,395
Other comprehensive income	−3,263	3,321
Total comprehensive income	1,642	3,381
Of which attributable		
Shareholders of the parent company	1,606	3,379
Non-controlling interests	36	2

Consolidated Statement of Financial Position as of March 31, 2011

ASSETS

EUR k

	March 31, 2011	December 31, 2010
Non-current assets		
Property, plant and equipment	156,319	153,379
Intangible assets	49,429	50,249
Other financial assets	4,602	4,867
Deferred income tax assets	36,422	37,419
	246,772	**245,914**
Current assets		
Inventories	94,062	88,888
Trade accounts receivable	152,568	138,294
Other current financial assets	53,804	50,483
Income tax assets	2,256	1,996
Cash and short-term deposits	19,242	17,170
Other current assets	18,993	16,656
	340,925	**313,487**
Total assets	**587,697**	**559,401**

EQUITY AND LIABILITIES

EUR k

	March 31, 2011	December 31, 2010
Equity		
Subscribed capital	26,868	26,868
Capital reserve	58,237	58,237
Own shares	−7,441	−7,441
Retained earnings	94,353	89,488
Accumulated other comprehensive income	2,227	5,486
Equity attributable to shareholders of the parent company	**174,244**	**172,638**
Non-controlling interests	499	463
Total equity	**174,743**	**173,101**
Non-current liabilities		
Non-current financial liabilities	97,908	97,852
Trade accounts payable	3,504	4,890
Other financial liabilities	5,833	6,169
Other liabilities	2,326	2,360
Retirement benefit obligations	62,110	61,078
Deferred income tax liabilities	17,576	17,430
	189,257	**189,779**
Current liabilities		
Current financial liabilities	27,266	33,149
Current trade accounts payable	106,024	92,115
Other current financial liabilities	2,865	3,459
Other current liabilities	73,353	54,502
Current income tax liabilities	4,689	5,004
Provisions	9,500	8,292
	223,697	**196,521**
Total liabilities	**412,954**	**386,300**
Total equity and liabilities	**587,697**	**559,401**

Consolidated Statement of Cash Flow as of March 31, 2011

EUR k	01 – 03 2011	01 – 03 2010
1. Cash flow from operating activities		
Profit/loss (–) before income taxes	7,772	1,625
Non-cash items		
Depreciation of property, plant and equipment	5,723	5,493
Amortization of intangible assets	806	794
Changes in provisions and pension provisions	2,071	−252
Other non-cash changes	−2,068	−105
Changes in net working capital		
Decrease/Increase (–) in trade accounts receivable and other receivables	−19,932	−16,884
Decrease/Increase (–) in inventories	−5,174	−7,631
Decrease/Increase (–) in other assets	737	1,227
Decrease (–)/Increase in accounts payable and other liabilities	30,363	15,331
Gains/Losses from disposal of assets	−210	−228
Income taxes paid	0	0
Cash flow from operating activities	**20,088**	**−630**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	−9,864	−7,547
Purchase of intangible assets	−51	−892
Purchase of investments	0	−227
Disposals		
Disposal of property, plant and equipment	301	3,329
Disposal of intangible assets	0	0
Disposal of investments	245	16
Interest received	306	299
Government grants received	0	0
Cash flow from investing activities	**−9,063**	**−5,022**
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	56	56
Changes in current liabilities to banks	−12,570	1,311
Changes in lease liabilities	−348	−365
Interest paid	−2,778	−2,264
Cash flow from financing activities	**−15,640**	**−1,262**
4. Cash and cash equivalents at end of period		
Net changes in cash and cash equivalents (sub-total of items 1–3)	−4,615	−6,914
Effects of exchanges rate differences	0	0
Cash and cash equivalents as of January 1	16,391	−20,806
Cash and cash equivalents as of March 31	**11,776**	**−27,720**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	19,242	11,049
Securities	0	0
Bank overdrafts	−7,466	−38,769
Cash and cash equivalents as of March 31	**11,776**	**−27,720**

Consolidated Statement of Changes in Equity as of March 31, 2011

EUR k

					Accumulated other comprehensive income					
	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Cash Flow Hedges	Currency translation	Net investments in foreign subsidiaries	Total	Non-controlling interests	Group equity
As of January 1, 2011	26,868	58,237	89,488	−7,441	0	10,257	−4,771	172,638	463	173,101
Net profit/loss (–) for the period	0	0	4,865	0	0	0	0	4,865	40	4,905
Other profit/loss for the period	0	0	0	0	0	−2,287	−972	−3,259	−4	−3,263
Total net profit/loss (–)	0	0	4,865	0	0	−2,287	−972	1,606	36	1,642
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	0	0
As of March 31, 2011	26,868	58,237	94,353	−7,441	0	7,970	−5,743	174,244	499	174,743

As of March 31, 2010

EUR k

					Accumulated other comprehensive income					
	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Cash Flow Hedges	Currency translation	Net investments in foreign 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	63	0	0	0	0	63	−3	60
Other profit/loss for the period	0	0	0	0	0	−79	3,395	3,316	5	3,321
Total net profit/loss (–)	0	0	63	0	0	−79	3,395	3,379	2	3,381
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	−9	−9
As of March 31, 2010	26,868	58,237	73,249	−7,441	0	8,238	−5,246	153,905	458	154,363

Selected Notes to the GRAMMER AG Consolidated Statement of Income for the Period from January 1 to March 31, 2011 and the Consolidated Statement of Financial Position as of March 31, 2011

Accounting

Grammer AG prepared its Consolidated Financial Statements for fiscal year 2010 and the present Interim Financial Statements for the period ended March 31, 2011 in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). The name "IFRS" also refers to the still applicable International Accounting Standards (IAS), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and those of the former Standing Interpretations Committee (SIC). Accordingly, this Interim Report for the period ended March 31, 2011, has been prepared in accordance with IAS 34 and should be read in context with the Consolidated Financial Statements published by the Company for fiscal year 2010. The possibility cannot be excluded that the IASB will make further pronouncements before the final preparation of the Consolidated Financial Statements for the fiscal year ending December 31, 2011, and that the standards applied in preparing these Interim Financial Statements will therefore deviate from the standards applied in preparing the Consolidated Financial Statements for the year ending December 31, 2011. Furthermore, there are currently individual pronouncements by the IASB that have yet to be endorsed by the European Commission and, as such, it should be noted that the figures presented in this report are preliminary and subject to change. The new or revised standards and interpretations of the IASB and IFRIC that came into effect on January 01, 2011 did not have a significant impact on the net assets, financial position and earnings performance of the Company, or were not relevant to the preparation of the Consolidated Financial Statements and will generally result in additional information in the Notes or changes in the form of presentation. The preparation of the Consolidated Financial Statements in accordance with the pronouncements of the IASB requires that assumptions be made for certain items, which affect the carrying amounts in the Consolidated Balance Sheet and the Consolidated Income Statement, as well as the data on contingent assets and liabilities.

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

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

Accounting and valuation principles

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

Estimates and assumptions

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

Scope of consolidation

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

Currency translation

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

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

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

		Average rate		Closing rate	
		01 – 03 2011	01 – 03 2010	March 31, 2011	March 31, 2010
Brazil	BRL	0.439	0.401	0.434	0.416
China	CNY	0.110	0.106	0.107	0.109
United Kingdom	GBP	1.157	1.131	1.132	1.124
Japan	JPY	0.009	0.008	0.009	0.008
Mexico	MXN	0.060	0.056	0.059	0.060
Poland	PLN	0.252	0.250	0.249	0.259
Czech Republic	CZK	0.041	0.038	0.041	0.039
Turkey	TRY	0.462	0.477	0.456	0.488
USA	USD	0.726	0.722	0.704	0.742

Revenue

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

EUR k	01 – 03 2011	01 – 03 2010
Gross revenue	263,978	203,557
Sales deductions	–1,026	–519
Net revenue	**262,952**	**203,038**

Revenue of EUR 262,952 thousand up to March 31, 2011 includes contract revenue of EUR 8,835 thousand (01 – 03 2010: 2,515) determined using the PoC method. These revenues relate to development activities as well as operating funds that must be expensed and financed by GRAMMER Group until a product reaches serial production and generates initial revenues. These are primarily attributable to the Automotive division.

Other income

Other operating income totaling EUR 1,780 thousand as of March 31, 2011 (01 – 03 2010: 1,479) includes income from the reversal of provisions and valuation allowances and proceeds from the sale of scrap metal and materials handling costs, as well as proceeds from the sale of property, plant and equipment.

Financial result

EUR k	01 – 03 2011	01 – 03 2010
Financial income	306	299
Financial expenses	–3,111	–3,550
Other financial result	–1,534	1,335
Financial result	**–4,339**	**–1,916**

Financial income relates mainly to temporary surplus cash invested in the context of active cash management. Changes in the fair value of interest rate swaps that do not satisfy the requirements for hedge accounting must be recognized as income according to IAS 39, which leads to unrealized gains and losses within the financial result. Financial income includes interest income in the amount of EUR 306 thousand (2010: 299) calculated using the effective interest rate method.

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. Financial expenses in the amount of EUR 2,697 thousand (2010: 2,160) were determined using the effective interest rate method.

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

Cost of sales

The cost of sales includes the manufacturing costs attributable to sales and the cost of merchandise. This item also includes costs for operating below capacity and any other production-related overheads and administrative expenses. The expenditure required to set up reserves for warranty purposes is covered by this item as well. The cost of sales also includes non-capitalized research and development costs as well as amortization of development costs. Expenses relating to the development and expansion of plant locations in preparation for forthcoming series production ("industrialization costs") are included in the cost of sales to the extent that these expenses cannot be deferred. Development in the Seating Systems division is generally performed on a "design to market" basis, with the corresponding costs recognized accordingly. As of March 31, 2011, the costs of inventories, which are recognized as an expense in cost of sales amount to EUR 214,014 thousand (01 – 03 10: 168,694).

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

Administrative expenses
Administrative expenses include all administrative expenditure which cannot be assigned directly to other functions, including expenditure for general administration, management and centralized departments. Other administrative expenses also include income from exchange rate movements in the amount of EUR 4,688 thousand (01 – 03 10: 3,337) 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 6,119 thousand (01 – 03 10: 1,678) 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 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 – 03 2011	01 – 03 2010
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)	4,865	63
Basic/diluted earnings/loss (–) per share in EUR	0.48	0.01

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 treasury shares occurred as of March 31, 2011.

Intangible assets
Intangible assets include capitalized Goodwill as well as capitalized development costs. In the period under review, EUR 51 thousand were invested in licenses and software. Amortization costs totaled EUR 806 thousand (01 – 03 10: 793).

Property, plant and equipment
In the period until March 31, 2011, EUR 9,864 thousand were invested in property, plant and equipment. Depreciation in the same period totaled EUR 5,723 thousand (01 – 03 10: 5,492).

Inventories
The rise in inventories to EUR 94.1 million (2010: 88.9) is primarily attributable to the recovery of business activities. All inventories are carried at cost. There were no significant write-downs to the lower fair value.

Trade accounts receivable
The total receivables of EUR 152.6 million (2010: 138.3) 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. In the context of the syndicated loan agreement, collateral has been ceded via blanket assignment in the amount of EUR 10,244 thousand as of March 31, 2011.

Other current financial assets
Other current financial assets primarily consist of receivables from construction contracts amounting to EUR 51.8 million (2010: 48.3), as well as other receivables in the amount of EUR 2.0 million (2010: 2.1).

Other current assets
Other current assets of EUR 19.0 million (2010: 16.7) include other assets totaling EUR 15.8 million (2010: 12.8) as well as EUR 3.2 million (2010: 3.9) from accruals and deferrals. Other assets primarily comprise pass-through tax claims such as value added tax, receivables from employees and receivables due from creditors with debit balances.

Subscribed capital
As of December 31, 2010 and March 31, 2011, 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 (with the exception of shares held in treasury) and may exercise one vote for each share at the Annual General Meeting.

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

Revenue reserves

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

Revenue reserves reflect income earned in the past by the companies included in consolidation, provided such income was not paid out as dividends. Revenue reserves increased from EUR 89,488 thousand the previous year to EUR 94,353 thousand as a result of the profit for the quarter.

Accumulated other comprehensive income

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

Dividends

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

Own shares

As of March 31, 2011, GRAMMER AG holds a total of 330,050 own shares, all of which were acquired in fiscal year 2006 for a total purchase price of EUR 7,441 thousand. These shares have a total value of EUR 844,928 and represent 3.1448 % of share capital.

Authorizations

Pursuant to section 5 (3) of the Articles of Association, the Executive Board is authorized, subject to approval by the Supervisory Board, in accordance with section 202 AktG to increase share capital by a maximum of 13.4 million euros through one or more issuances of bearer shares. This authorization expires on August 25, 2011. The Executive Board is further authorized, in each case subject to the approval of the Supervisory Board, to decide on exclusion of shareholders' statutory subscription rights. In addition, the Executive Board is authorized, upon approval by the Supervisory Board, to exclude the subscription rights for an amount up to EUR 2,686,760.70 (10.0 % of share capital) if the issue price of new shares is not significantly lower than the market price of shares already trading in the secondary market when the final issue price is determined, which should occur as closely in time to the placement of the shares as possible. Shares purchased pursuant to a shareholder resolution and sold while such resolution is in force in accordance with section 71 (1) no. 8 sentence 5 AktG in conjunction with section 186 (3) sentence 4 AktG apply toward the above 10.0% limit. The Executive Board is furthermore authorized, subject to Supervisory Board approval, to determine the issue price, share rights and other terms of the offering. By resolution of the Annual General Meeting on May 28, 2009, EUR 7.0 million of the net profit as of December 31, 2008 was transferred to retained earnings in fiscal 2009.

In addition, the Annual General Meeting on May 28, 2009 also resolved to authorize acquisition of the Company's own shares amounting to no more than 10 % of the share capital up to May 27, 2014, and to authorize the issuance of profit-participation rights with or without option or conversion obligations and/or bonds with warrants and/or convertible bonds and to exclude subscription rights, in addition to simultaneously creating contingent capital and amending the Articles of Association. This resolution was proposed to the Annual General Meeting on May 19, 2010 for a renewed confirming resolution and the authorization granted by the Annual General Meeting. The renewed resolution was necessary given that, at the time of convocation of the 2010 Annual General Meeting, three actions for the declaration of nullity/actions to set aside the resolutions of the 2009 Annual General Meeting had not yet received final and incontestable judgment. The courts delivered a final decision to dismiss all pending actions in 2010.

Non-current liabilities

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

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

The increase in pension and other obligations to EUR 62.1 million (2010: 61.1) is due to existing commitments. The pension expense for the interim period is calculated on a year-to-date basis using a preliminary estimate based on the previous year's expert opinion adjusted to reflect significant events.

Current liabilities

Current financial liabilities totaling EUR 27.3 million are down slightly from the previous year's level as a result of the new financing structure (2010: 33.1) and include existing credit lines from bank overdrafts, the majority of which bear interest at money market-based rates.

Other current liabilities of EUR 73.4 million are substantially higher than the prior-year level (2010: 54.5) as a result of business developments. This item consists primarily of social security obligations owed to social security authorities and liabilities to employees from outstanding leave, overtime, flextime etc. It also includes liabilities relating to value added tax.

Income tax liabilities principally comprise income taxes for fiscal 2010 and the current quarter.

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

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

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

Segment reporting

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

The **Automotive** division is the segment involved in development and production of headrests, armrests, center consoles and integrated child safety seats, seat coverings and side upholstery elements. The segment is a supplier to automotive OEMs, particularly in the 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, 2010. The segment information is as follows:

Operating segments

EUR k

Fiscal year as of March 31, 2011	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	91,950	171,002	0	262,952
Inter-segment revenue	6,784	673	−7,457[1]	0
Total revenue	**98,734**	**171,675**	**−7,457**	**262,952**
Segment earnings (Operating profit)	**7,948**	**7,875**	**−3,712**	**12,111**

EUR k

Fiscal year as of March 31, 2010	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	67,041	135,997	0	203,038
Inter-segment revenue	4,766	350	−5,116[1]	0
Total revenue	**71,807**	**136,347**	**−5,116**	**203,038**
Segment earnings (Operating profit)	**911**	**3,661**	**−1,031**	**3,541**

[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 – 03 2011	01 – 03 2010
Segment earnings (Operating profit)	15,823	4,572
Central Services	–4,889	–1,381
Eliminations	1,177	350
Group earnings (Operating profit)	12,111	3,541
Financial result	–4,339	–1,916
Profit/loss (–) before income taxes	7,772	1,625

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 March 31, 2011 and March 31, 2010:

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	2011	579	0	9,863	0
	2010	1	0	8,719	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 March 31, 2011.

Events after the balance sheet date

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

Other information

With effect from March 31, 2011, Mr. Udo Fechtner left the Supervisory Board of GRAMMER AG as employee representative. On April 20, 2011, the Amberg Local Court appointed Mr. Martin Bodensteiner as employee representative to the Supervisory Board.

Financial calendar and trade fair dates 2011[1]

Important dates for shareholders and analysts

Interim Report, first quarter 2011	05/11/2011
Annual General Meeting 2011	
Location: ACC (Amberger Congress Centrum), 92224 Amberg	05/26/2011
Interim report, second quarter and half-year 2011	08/10/2011
German Investment Conference	09/27 – 09/29/2011
Interim Report, third quarter 2011	11/09/2011
German Equity Forum, Frankfurt	11/21 – 11/23/2011

Trade fair dates

Cemat 2011, Hannover	05/02 – 05/06/2011
Eurospine Meeting, Milan	10/19 – 10/21/2011
GIE Expo 2011, Louisville, USA	10/27 – 10/29/2011
Agritechnica 2011, Hannover	11/13 – 11/19/2011
Mets 2011, Amsterdam	11/15 – 11/17/2011

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

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