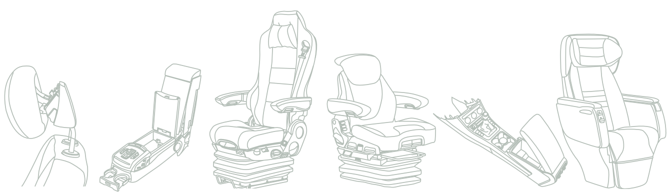
GRAMMER

Interim Report

January to September 2010



Key Figures[1)]

in EUR m	Q3 2010	Q3 2009	01 – 09 2010	01 – 09 2009
Group revenue	232.5	176.8	677.0	518.5
Automotive revenue	147.7	124.4	443.9	345.9
Seating Systems revenue	89.5	57.8	249.1	183.7
Income statement				
EBITDA	14.8	1.1	42.6	−6.0
EBITDA margin (in %)	6.4	0.6	6.3	−1.2
EBIT	8.1	−5.2	23.0	−24.7
EBIT margin (in %)	3.5	−3.0	3.4	−4.8
Profit/loss (–) before income taxes	2.6	−8.1	13.6	−30.5
Net profit/loss (–)	1.0	−8.4	8.9	−31.2
Statement of financial position				
Total assets	568.1	490.3	568.1	490.3
Equity	164.5	147.7	164.5	147.7
Equity ratio (in %)	29	30	29	30
Net financial debt	127.9	109.5	127.9	109.5
Gearing (in %)	78	74	78	74
Investments	6.0	5.2	21.5	19.8
Depreciation and amortization	6.7	6.3	19.5	18.6
Employees (September 30)			**7,904**	**7,265**
Key share data			**September 30, 2010**	**September 30, 2009**
Share price (Xetra closing price, in EUR)			16.70	6.75
Number of shares			10,495,159	10,495,159
Market capitalization (in EUR m)			175.3	70.8

1) according to IFRS

Contents

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

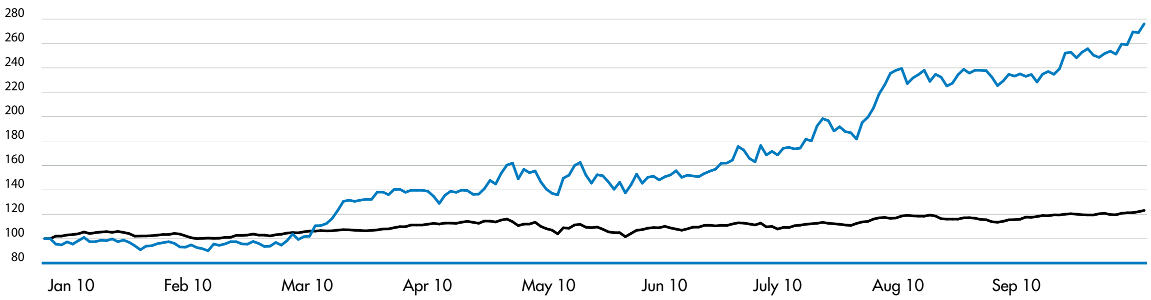
Our Seating Systems division comprises the truck and offroad seat segments as well as train and bus seating. In the Automotive division, we supply headrests, armrests, center console systems and integrated child safety seats to premium automakers and automotive system suppliers.

GRAMMER is represented in 17 countries worldwide with a workforce of more than 7,900 employees across its 24 fully consolidated subsidiaries. GRAMMER shares are listed in the SDAX segment of the German Stock Exchange, and are traded on the Munich and Frankfurt stock exchanges, via the Xetra electronic trading platform and on the OTC markets of the Stuttgart, Berlin and Hamburg stock exchanges.

COMPANY PROFILE △

GRAMMER Share

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



Closing price as of December 31, 2009 = 100 %

— GRAMMER AG
— SDAX Performance Index

DAX and SDAX

Over the past several months, Germany's DAX index has been on a sideways trend. Nine months into 2010, the DAX closed up 4.6 % at 6,229 points. The SDAX, where the GRAMMER share is listed, saw even better performance, closing 23.1 % higher on September 30, 2010.

GRAMMER share

The first nine months on the stock market in 2010 were very dynamic for the GRAMMER share. In the period from January 1 to September 30, 2010, the GRAMMER share price rose 176 % from the start of EUR 6.05 on December 30, 2009. On September 30, the price of the GRAMMER share was EUR 16.70, clearly outperforming the benchmark SDAX.

This positive development was based equally on positive financial figures, analyst recommendations and the improved outlook for the automotive industry. In the period under review, market capitalization rose from around EUR 63.5 million to more than EUR 175.3 million, and trading volume increased significantly. Thus, GRAMMER has succeeded in further improving its position within the SDAX. In September, speculation about a takeover of GRAMMER AG also resulted in better share performance. The rumors by the market proved to be baseless, but the share was able to hold its high price level.

Investor relations

Dialog with investors and analysts is very important for GRAMMER. At various of capital market conferences and road shows located in Europe's key financial centers, the Executive Board and Investor Relations department have presented the Company throughout 2010. There were also numerous one-on-ones, participation in various investment conferences and road shows, as well as discussions with analysts about the current positioning of GRAMMER AG. Talks with shareholders and private investors were also an important focus for GRAMMER AG over the past three quarters.

Changes to the shareholder structure

In September 2010, GRAMMER AG received notification that IPConcept Fund Management S.A./Luxembourg holds 2.18 percent of voting rights in the Company, instead of the previous 3.20 percent.

Also in September 2010, GRAMMER AG was notified that POLYTEC Invest GmbH, with registered office in Geretsried, holds 2.99 percent of voting rights as compared to the previously held proportion of 4.59 percent. Up to August 2010, the proportion held was 9.59 percent. These shares are fully attributable to POLYTEC Holding AG pursuant to section 22 (1) sentence 1 no. 1 WpHG.

In October 2010, GRAMMER was informed that Munsbach/Luxemburg-based Axxion S.A. holds 2.58 percent of voting rights in the Company; this investor previously held 4.69 percent.

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

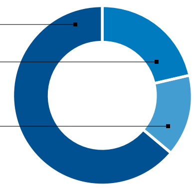
GRAMMER Group in the third quarter of 2010

Strong positive trend in revenue and earnings

In the period from January to September 2010, both the Seating Systems and Automotive divisions saw significant revenue gains, brought on by positive economic developments as well as new product launches. Consolidated group revenue was up 30.6 percent to EUR 677.0 million (01 – 09 09: 518.5). As expected, the restructuring improvements led to a substantial increase in Group EBIT, to EUR 23.0 million (01 – 09 09: –24.7).

Third-quarter revenue performance was better than last year, with an increase of 31.5 percent to EUR 232.5 million (2009: 176.8). Quarter-over-quarter, operating profit in Q3 improved further, rising to EUR 8.1 million after the difficult loss situation last year (2009: -5.2).

Revenue by regions (previous year in brackets)



in EUR m

	01 – 09 2010	01 – 09 2009
Europe	431.5	374.9
Overseas	144.4	84.5
Far East/Others	101.1	59.1
Total	677.0	518.5

Revenue and earnings

Global economy continues to grow

The global recovery process has carried on in the wake of last year's deep recession. Although the economic recovery cooled in some regions, the international growth dynamic remained high.

The economic recovery in the US has slackened over the past several months. The world's largest economy is emerging from the crisis more slowly than expected. This is attributable to ongoing weakness in domestic demand, the level of unemployment and uncertainty about future economic conditions. Industrial production was also worse than expected in September. Manufacturing was down 0.2 percent as compared to the previous month.

Growth in Asia has lost pace recently, but China is still considered to be the main driver of growth around the world, although that growth has been slowed down by political measures. In the first quarter, the Chinese economy grew by 11.9 percent, in the second quarter by 10.3 percent and in the third by 9.6 percent. Looking at growth over the past nine months, GDP (gross domestic product) increased by an average of 10.6 percent.

After 1.0 percent quarter-over-quarter growth in the second quarter, economic expansion in Europe is also waning. For the third quarter, economists are predicting that growth will come in at a mere 0.4 percent, given that several stimulus programs are ending and measures aimed at consolidation of national finances could also bring about negative impulses.

Germany has pulled out of the crisis more rapidly than forecasted at the start of the year and is seen as the driver of economic activity in Europe. Whereas GDP was up on 0.5 percent quarter-over-quarter in Q1, the growth rate in the second quarter was an impressive 2.2 percent. This was carried by exports, strengthening domestic demand and low unemployment. In September 2010, unemployment sank 0.4 percentage points to 7.2 percent.

Group revenues considerably higher year-over-year

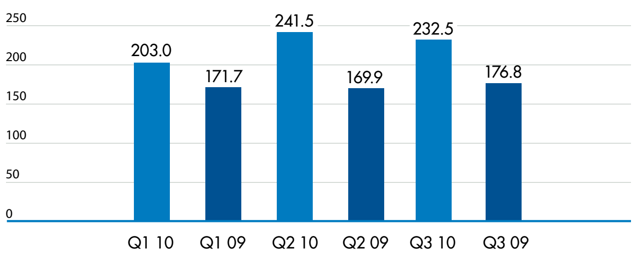
In the current overall economic environment, Group revenue of EUR 677.0 million for the period to September 30, 2010 was significantly higher in comparison to the previous year (01 – 09 09: 518.5). The positive revenue trend from the first two quarters thus continued, and revenues increased once more during the third quarter in both divisions. The increase affected all regions, but particularly the Overseas region with EUR 144.4 million (01 – 09 09: 84.5), the Far East/Others region with EUR 101.1 million (01 – 09 09: 59.1) and Europe with EUR 431.5 million (01 – 09 09: 374.9).

The clear growth in the Automotive division, especially in Europe, was generated through new product launches as well as pleasing sales numbers in the premium car segment and the strong export. The development of the market was particularly pleasing in China and the US. In the Seating Systems division, there has been a substantial recovery, which has now led to stronger growth in Europe too, alongside the booming markets of China and Brazil. Following the major decline in the second quarter of last year and continuation of the trend in the third quarter, the offroad market began showing signs of a growing recovery, especially in Europe. The increasing momentum gained from exports led to growth 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, following severe sales declines last year, the markets continue to see very robust growth, though a close eye will have to be kept on developments going forward. In Asia, revenue growth in the first nine months of the current year was higher year-over-year in both divisions.

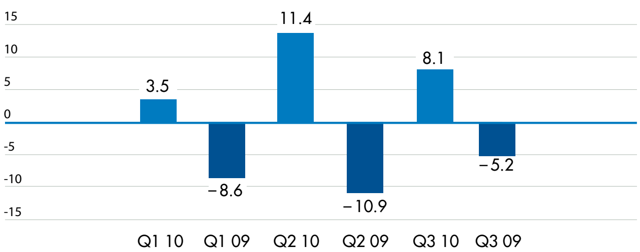
Consolidated earnings continue positive trend

Consolidated earnings before interest and taxes (EBIT) remained on the same successful course as in the first two quarters of 2010, receiving a boost from the measures implemented to overcome the crisis and restructure the Company, as well as the overall economic upturn. On September 30, 2010, operating profit was positive, at EUR 23.0 million, after a loss in the same period last year (01 – 09 09: -24.7). Operating profit in the third quarter rose to EUR 8.1 million (2009: -5.2), underlining the impressive turnaround. The implemented restructuring measures have taken hold, and a stronger rise in revenue in both divisions, especially Seating Systems, led to a renewal of significant gains in Q3 2010 following a fall-off in the second quarter 2009. Operating profit is also being influenced by the second phase of restructuring introduced at GRAMMER AG early in 2010, as well as by substantial currency volatility. At present, the positive and negative effects of the US dollar and its high rate of volatility are a cause of concern given the international nature of our operations.

Group revenue development by quarter (in EUR m)



Group EBIT development by quarter (in EUR m)



Automotive Division

Car markets still robust

Worldwide car sales have continued to increase, and were well above prior-year levels in the quarter under review. The Asian market was particularly robust and made a major contribution to growth in car demand.

In China, sales were up 38 percent to more than 8 million vehicles in the first nine months of the year, though the growth dynamic has lessened somewhat. India also saw an increase of 32 percent in the same period, and continues to grow. The Japanese car market expanded during the period under review by roughly 20 percent to 3.5 million vehicles. As a result of the government's new vehicle purchase incentives running out, however, sales were down slightly in September.

The US auto market also continued to grow between January and September, as compared to the weak year in 2009. New registrations of cars and light trucks (vans, pick-ups, SUVs) rose by 10.3 percent to 8.6 million vehicles.

On the Russian car market, sales increased in the first three quarters by 18 percent, which can be attributed primarily by the new car purchase subsidy program enacted in March 2010. The economic recovery also continues to influence vehicle registrations.

In Western Europe, demand for cars are still lower year-over-year, following expiry of the various environmental bonuses. Here, registrations declined by 3 percent over the first nine months. Only in the large French (+ 0.8 %) and UK (+ 7.8 %) markets was there an increase in new car demand during the first three quarters.

In Germany, Europe's largest individual market, new car demand sank by 25 percent year-over-year in the third quarter of 2010. From January to September 2010, demand was down 27.5 percent to 2.2 million vehicles. The number of new vehicle registration fell as expected, as last year's sales figures were influenced greatly by the environmental bonus. Accordingly, demand for smaller and less expensive cars was high in 2009, and has been the most significant area of decline this year. On the other hand, sales of premium and luxury vehicles have seen substantial gains in 2010. Higher demand for premium and luxury cars has also been benefiting OEMs (original equipment manufacturers), and thus indirectly benefiting suppliers as well.

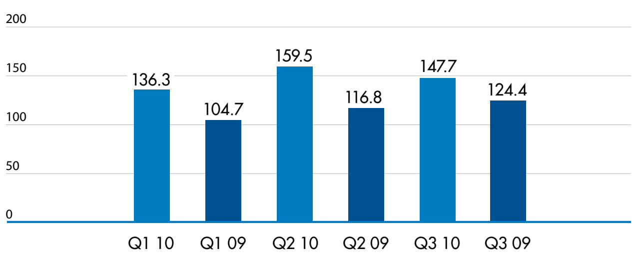
Thanks to strong demand abroad, however, the German automotive industry has been able to increase production by 14 percent over last year, to 4.1 million vehicles. Car exports also rose considerably during the first nine months. More than 3.1 million vehicles were delivered to customers abroad, an increase of 31 percent.

Automotive business characterized by new production starts and revenue growth

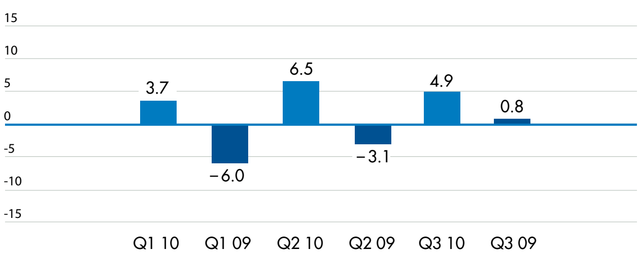
Business in our Automotive division was characterized in the third quarter of 2010 by new production starts and stronger revenues as compared to the prior-year quarter. The further increase in demand for some of our customers' mid-range and premium vehicles, as well as strengthening of export markets, meant that our revenue numbers continued to improve. In the period from January to September 2010, revenues were up 28.3 percent or EUR 98.0 million year-over-year to EUR 443.9 million (01 – 09 09: 345.9) thanks to sales increases stemming from a recovering economy in Europe and the US. In the third quarter, revenues rose to EUR

147.7 million (2009: 124.4), carrying on the positive trend from H1 2010. Through the new product launches and growth in the US, Automotive business has stabilized clearly in the US dollar region. Operating profit increased to EUR 15.0 million in the first nine months (01 – 09 09: -8.3), as a result of the above developments and the restructuring measures carried out last year. In the third quarter, EUR 4.9 million were earned, as compared to the prior-year quarter – which saw a slight plus of EUR 0.8 million. Thus, there was a significant improvement of EUR 4.1 million. This can be attributed to operational adjustments and restructuring. 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 revenue development by quarter (in EUR m)



Automotive EBIT development by quarter (in EUR m)



Seating Systems Division

Commercial vehicle market recovering worldwide
Following the drastic breakdown in 2009, the commercial vehicle market continued to stabilize this year, and sales are now considerably more robust than they were at the same point one year ago. The high levels of demand can be traced primarily to the BRIC countries: Brazil, Russia, India, China.

In China, the country where nearly half of all heavy trucks are sold, demand increased by more than fifty percent. In India, sales almost doubled in the first nine months.

The dynamic Brazilian truck market has also generated double-digit growth rates this year. In Russia, the truck market is recovering and grew during the first nine months, after the market collapsed dramatically last year.

American commercial vehicle sales were up by at least 10 percent in the first nine months.

In Germany, 200,260 new commercial vehicles entered the fleet in Q1-Q3 2010. This equates to an increase of 11 percent on the low previous-year levels. In the area of commercial vehicles up to 6 t, sales were up 12 percent. Commercial vehicles over 6 t also saw an increase of 7 percent.

German commercial vehicle manufacturers benefitted greatly from growing demand abroad. Export sales of commercial vehicles rose in the January to September period by 56 percent year-over-year to 168,540 vehicles. Production numbers were also positive in this period. Manufacturers increased production by 43 percent to 249,220 vehicles.

In the first nine months, 12 percent fewer new tractors were sold in Germany. New domestic orders in the agricultural machinery segment, on the other hand, are currently at a high level, whereas new orders from abroad are down on the previous year.

The worldwide economic recovery also holds out promise for the construction industry. New orders for construction machinery increased over the course of the year. The impetus for this came primarily from foreign markets, especially from Asia and South America.

The continued improvements in worldwide economic conditions led to higher transport volumes during the reporting period, and thus to a recovery in rail transport markets. At the same time, investment in freight transport was up, which has had a beneficial effect on the rail industry.

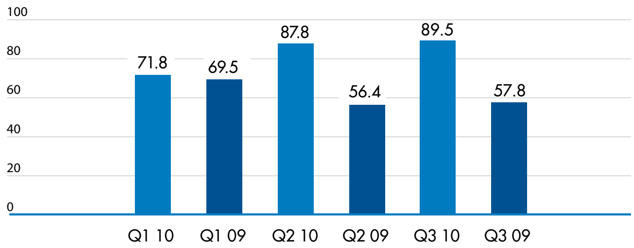
Business performance continues to improve
Performance in the Seating Systems division was very positive in the first three quarters of 2010, following the difficult final quarters of last year. The various key business segments within the division generated very pleasing results and saw further high-level stabilization.

In the third quarter of 2010, following the major fall-off in the second and third quarters of 2009, the recovery proceeded admirably. A positive order situation in truck business, especially in Brazil, and a return of stronger offroad demand in Europe since the second quarter led to this solid performance. In the Overseas and Asian offroad markets, revenues also continued to grow. Revenues were up considerably from the same period one year ago, though this success should not be overstated given that the starting point was a dramatic collapse of the market in the second and third quarters of 2009.

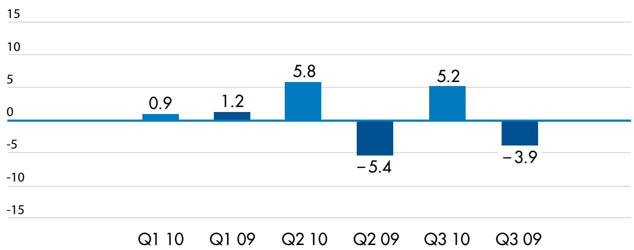
In the railway segment, market developments in the first nine months of 2010 were subdued, as a result of projects postponed last year.

Thus, revenue in the Seating Systems division rose by 35.6 percent to EUR 249.1 million (01 – 09 09: 183.7). In the third quarter, revenue growth was even more promising, increasing 54.8 percent by EUR 57.8 million to EUR 89.5 million. In the wake of the rapid downturn of the offroad segment in 2009, the implemented cost and capacity rationalization offensives are now having an increasing impact – operating profit in the first three quarters of 2010 rose to EUR 12.0 million, as compared to a loss of EUR -8.1 million in the previous year. Carried by the revenue growth, an outstanding turnaround signal was sent in Q3, with a return to positive operating profit of EUR 5.2 million (Q3 09: -3.9), after multiple quarters of losses last year. This underlines in a spectacular manner the effects of the prudently implemented restructuring measures, as well as the necessity of keeping structures adjusted to the low 2009 level.

Seating Systems revenue development by quarter (in EUR m)



Seating Systems EBIT development by quarter (in EUR m)



Financial Position

Note on accounting figures: 2009 = December 31, 2009

Higher balance sheet due to growth

As of September 30, 2010, GRAMMER Group's total assets amounted to EUR 568.1 million (2009: 500.4). This corresponds to an increase of EUR 67.7 million when compared with the 2009 annual financial statements, and was achieved primarily through an increase in trade accounts receivable, inventories as well as cash and short-term deposits. The upward momentum in the operating divisions had an effect above all on current assets, which rose in GRAMMER Group as a whole by EUR 64.6 million to EUR 337.0 million. Trade accounts receivable increased to EUR 151.3 million (2009: 109.4) and other current financial assets declined slightly to EUR 47.6 million (2009: 56.0). At EUR 94.7 million, inventories were higher than in 2009 as a result of business developments (2009: 77.2). Cash and short-term deposits rose to EUR 24.6 million on the balance sheet date (2009: 16.1) which was attributable to fixed short-term drawdowns on a credit facility. Non-current assets rose by EUR 3.1 million to EUR 231.1 million (2009: 228.0) as the result of investments in property, plant and equipment.

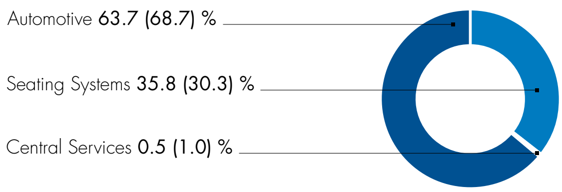
GRAMMER Group's equity of EUR 164.5 million was significantly higher than at the close of 2009 (2009: 151.0), as a result of business developments. Due to the increase in total assets, the equity ratio at 29 % (2009: 30) was basically unchanged from December 31, 2009.

To finance ongoing business, current liabilities increased by EUR 27.7 million to EUR 221.6 million (2009: 193.9). This change is primarily reflected by an increase of EUR 20.3 million in trade accounts payable and other current liabilities, and a build-up of income tax liabilities totaling EUR 4.0 million. Non-current liabilities totaled EUR 182.1 million, which is EUR 26.6 million more than the total at the reporting date last year (2009: 155.5).

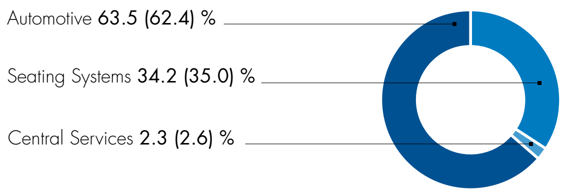
GRAMMER continues to push ahead with investments

As compared to the same quarter last year, investments by GRAMMER Group were slightly higher, at EUR 6.0 million (Q3 2009: 5.2). With the build-up of production for the new generation of truck seats and expansion investments for production optimization, EUR 2.3 million has been invested in property, plant and equipment during the current third quarter (Q3 2009: 0.7) within the Seating Systems division. In the Automotive division, investments totaled EUR 3.6 million (Q3 2009: 4.5), which was used mostly for expansion as the result of orders received in 2009 and continuing on into early 2010, as well as increasing our production capacity in Schmölln and Mexico. In light of the economic environment, we held back enormously on investment in the Central Services division.

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



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



in EUR m

	01 – 09 2010	01 – 09 2009
Automotive	13.7	13.6
Seating Systems	7.7	6.0
Central Services	0.1	0.2
Total	21.5	19.8

as of September 30

	2010	2009
Automotive	5,021	4,535
Seating Systems	2,701	2,541
Central Services	182	189
Total	7,904	7,265

Employees

As of September 30, 2010, GRAMMER Group had a total of 7,904 employees (September 30, 2009: 7,265). The number of people employed in the Automotive division increased to 5,021 (September 30, 2009: 4,535). As of September 30, 2010, the Seating Systems division employed a total of 2,701 people (September 30, 2009: 2,541). 182 employees were working in Central Services (September 30, 2009: 189), which can be attributed to the restructuring measures and the reduction in fixed costs.

Thanks to the improvement in the economic environment and the new projects starting, direct employees were being hired again, mainly at foreign production sites. Employees were added, especially at in China, Mexico and Serbia, as a result of new production starts and the increase in revenue. In the first quarter of 2010, capacities were systematically aligned with the prevailing structure at GRAMMER AG through implementation of the reconciliation of interests agreement and redundancy plan negotiated in December 2009. For instance, additional cuts were made at the Amberg location to adjust the necessary structures, and the measures started at the beginning of the year were brought to completion. As a result, the number of employees working for the Seating Systems division in Germany was lower on September 30, 2010 than at the same date last year.

The implementation of the measures aimed at restructuring and headcount adjustments at GRAMMER AG and other effective workforce adjustments in the other countries have resulted in a substantial optimization of cost structures and productivity in both divisions of the Company. These actions are proving to have an impact, as both divisions are now able to achieve positive operating results on current revenue levels.

Outlook for full-year 2010

Economic recovery loosing steam

The worldwide economic recovery has carried on into the second half of the year, but is set to slow down. The International Monetary Fund (IMF) is forecasting that growth of the global economy will total 4.7 percent for full-year 2010. There are, however, regional differences in the distribution of this growth. The global increase in economic output is being driven largely by emerging market countries, rather than industrialized countries.

The Asian economies are making a major contribution to global growth. The upturn has been brought about by strong recovery in exports, robust domestic demand and government stimulus programs. The Chinese economy in particular is contributing to growth, though the impetus from the driver of the global economy is waning. For the full-year, growth in China is expected to be around 10 percent.

In the United States, growth has slowed, and concerns are growing on the financial markets that the US could slide back into recession. Yet, the most recent economic data has assuaged these fears, and growth of 2.7 percent is expected for the full-year.

The Eurozone economy is benefiting largely from the upturn in Germany. Expectations for the Eurozone foresee GDP expansion of 1.6 percent in 2010. This relatively low rate of growth is attributable to high government deficits and pending consolidation measures.

The recovery in Germany should continue in the fourth quarter, yet at a significantly slower pace. Leading economic research institutes expect full-year GDP growth of 3.5 percent in Germany. At the start of the year, experts were forecasting 1.5 percent growth. This expansion stems mainly from strong exports and higher rates of consumption. Sinking unemployment is also giving the economy a boost.

Automotive: growth coming from emerging markets
Worldwide car demand was positive in the first nine months of 2010, especially in the emerging markets China, India and Brazil. For full-year 2010, it is also expected that new vehicle registrations will be considerably higher year-over-year. Growth in the regional markets, however, is broadly diverse.

Demand in China has abated somewhat in recent months, and is stabilizing at a high level. For the full-year, a 20 – 25 percent rise in new vehicles registrations is expected.

Demand for cars in India is also likely to remain robust over the next several months, resulting a substantial growth for full-year 2010. The Brazilian market is also contributing to the positive trend in worldwide demand.

For the US market, growth of over 10 percent is expected for the full-year, following a 20 percent decline last year.

In Russia, the automotive market is also expected to see full-year growth in 2010. Here, sales of more than 1.6 million vehicles are projected. This growth, however, is largely attributable to the scrap bonus introduced in March 2010.

A decline of roughly 7 percent is expected in Western European demand for cars in 2010. This is due primarily to waning demand after expiration of the various government scrappage programs. For the French and Spanish car market, declines are also expected year-over-year. Stagnation is forecasted for the UK car market.

For the German market, experts foresee a decline in new vehicle registrations of around 25 percent year-over-year. The decrease of roughly 1 million vehicles is largely a result of purchases being brought forward in 2009 to take advantage of the environmental program that was launched and concluded last year. The overall outlook for the German car industry, however, is positive. Based on forecasts, production by German manufacturers in 2010 will rise by about 10 percent year-over-year, on the back of strong foreign demand.

Seating Systems: commercial vehicle industry leaves the crisis behind
The outlook for the commercial vehicle segment is largely positive, after the crisis situation in 2009. It will be some time, however, before the pre-crisis level is regained. The majority of growth in commercial vehicles is coming from Asia.

The Indian Market is expected to grow by 34 percent. And in China, new registrations of commercial vehicles are forecast to grow by more than 10 percent. The greatest increase is likely to be in trucks over 6 t. In the end, 1 million heavy commercial vehicles could be sold, which is five times the level of Western Europe.

In Brazil, the commercial vehicle market will end the year up 13 percent. Sales are being driven by government programs, including tax incentives.

In Western Europe, new registration numbers will be higher for full-year 2010 than in 2009, but sales will be considerably lower than they were before the crisis.

In Germany, the prospects for the fourth quarter remain good, as new domestic and foreign order volumes both rose in September. Orders from abroad were up as much as 38 percent in September, and the domestic market is stabilizing.

For Germany, the year as a whole should bring a plus in new vehicle registrations and production figures. New vehicle registrations will rise by around 9 percent. As a result of the favorable export dynamic, production volumes are set to be 38 percent higher than they were in the weak year 2009.

For the agricultural machinery industry in Germany, forecasters are expecting a 9 percent decline for full-year 2010. Experts expect that registrations in the German tractor market will be down 10 percent on prior-year figures.

The recovery of the global economy brings with it a positive outlook for the construction industry. Demand for construction machines is likely to be positive overall in 2010. The main impetus is coming from Asia and Latin America.

In the railway segment, market observers are still anticipating a pronounced recovery. Viewing the year as a whole, the upturn is progressing more rapidly than expected.

Automotive division
For the Automotive division, we are expecting stronger revenue growth for 2010, 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 crisis year 2009 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 upper and premium segments over the coming months will contribute to further recovery.

In addition to the revenue expectations, the 2010 operating result will also be affected by the already implemented restructuring measures as well as a reduction in fixed costs and exchange rate developments. These initiatives along with the rationalization measures and adjustments of local production capacities already in place have now begun to impact results. In conjunction with expectations of stable revenues, operating results could climb further based on the Company's pleasing sales performance, as long as ongoing production is continued as planned by our customer and no changes arise that could result in additional fixed costs. We are therefore expecting operating profit to be clearly positive in the final quarter as well.

Seating Systems division
For the Seating Systems division, a turnaround has set in with respect to the pronounced revenue declines in the offroad segment that led to structural problems and lower profits. The still weak order situation in the offroad segment at the start of the year has improved considerably, and is continuing at this solid level. In the European truck market, performance has been constant, and revenues will remain at their present level in emerging market countries. The further development of the revenue situation in full-year 2010 will be well above the prior-year rate. For seasonal reasons, however, the final months of the year will provide no significant further impetus. As a result of the current situation, which differs from normal cyclical patterns, revenues in the final quarter are also likely to be considerably higher than last year. Additional problem areas are now also arising in railway business, since the development of infrastructure projects is progressing haltingly in some countries like Russia.

Given the improved revenues in offroad business and the recovery within the industry, we expect that our good market position and the still favorable currency situation will bolster demand from our customers and performance in the Seating Systems division throughout the remainder of 2010. Through implementation of the structure and capacity adjustment measures within GRAMMER AG in December 2009, positive effects and a sustainable break-even structure have been achieved, so that clearly positive results can be expected for the remaining quarters, although other restructuring costs will also arise in some areas. Moreover, the commodity price situation could raise costs with the increasing transition to a sellers' market.

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

Summary statement by the Executive Board
In view of the business situation over the past nine months of 2010, and in light of the economic situation in Europe, Asia and the US, we have a very positive outlook for the performance of GRAMMER Group. The initiated and completed restructuring measures and workforce reductions in 2009 are expected to bring about cost advantages, which will result in a positive operating profit for the fiscal year as a whole. After the continued stabilization in the offroad segment and the revenue gains in the third quarter full-year operating result in 2010 is expected to be clearly positive at between 3.2 and 3.5 percent. Revenues are expected to top prior-year levels by roughly 20 percent. Careful attention is being paid to the risks from foreign exchange developments and commodity markets, which could have a moderate slowing effect in the event of significant fluctuations. Moreover, the length of customer production holidays in the final weeks of 2010 could result in a more substantial slowdown in business during the year-end period than expected. With the signs of stabilization in the economic environment, we also see the foundation for a complete turnaround and a very positive profit situation in 2010, in addition to 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, 2009, the facts described in the "Outlook" section of this report are currently relevant to the situation of the Company. This section contains forward-looking statements reflecting the opinions of the management of GRAMMER AG with respect to future events. These statements are based on the currently applicable plans, estimates and expectations of the Company. Consequently, they are subject to risks and factors of uncertainty. Moreover, there is an increased risk of bankruptcy among our suppliers, which our procurement department is attempting to mitigate through expanded monitoring activities.

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

Amberg, November 2010

GRAMMER AG
Executive Board

Consolidated Statement of Income as of September 30, 2010

EUR k

	Q3 2010	Q3 2009	01 – 09 2010	01 – 09 2009
Revenue	**232,539**	**176,839**	**677,048**	**518,523**
Cost of sales	−200,778	−156,815	−586,780	−465,786
Gross profit	**31,761**	**20,024**	**90,268**	**52,737**
Selling expenses	−6,310	−6,583	−19,981	−20,698
Administrative expenses	−19,410	−19,830	−52,584	−61,023
Other operating income	2,030	1,160	5,319	4,323
Operating profit/loss (–)	**8,071**	**−5,229**	**23,022**	**−24,661**
Financial income	457	381	1,027	1,527
Financial expenses	−5,929	−3,295	−10,441	−7,377
Profit/loss (–) before income taxes	**2,599**	**−8,143**	**13,608**	**−30,511**
Income taxes	−1,560	−258	−4,660	−717
Net profit/loss (–)	**1,039**	**−8,401**	**8,948**	**−31,228**
Of which attributable to:				
Shareholders of the parent company	1,024	−8,414	8,927	−31,221
Non-controlling interests	15	13	21	−7
	1,039	**−8,401**	**8,948**	**−31,228**

Earnings/loss (–) per share

	01 – 09 2010	01 – 09 2009
Basic/diluted earnings/loss (–) per share in EUR	0.88	−3.07

Group Statement of Comprehensive Income as of September 30, 2010

EUR k

	Q3 2010	Q3 2009	01 – 09 2010	01 – 09 2009
Net profit/loss (–)	1,039	–8,401	8,948	–31,228
Gains/losses (–) from currency translation for foreign subsidiaries				
Gains/losses (–) arising in the current period	–41	1,967	1,656	4,718
Less transfer recognized in the Income Statement	0	0	0	0
Tax expenses (–)/Tax income	0	0	0	0
Gains/losses (–) from currency translation for foreign subsidiaries (after tax)	–41	1,967	1,656	4,718
Gains/losses (–) from Cash flow hedges				
Gains/losses (–) arising in the current period	0	293	0	18
Less transfer recognized in the Income Statement	0	596	0	2,582
Tax expenses (–)/Tax income	0	–120	0	–524
Gains/losses (–) from Cash flow hedges (after tax)	0	769	0	2,076
Gains/losses (–) from net investments in foreign operations				
Gains/losses (–) arising in the current period	–2,860	–1,938	2,877	–872
Less transfer recognized in the Income Statement	0	0	0	0
Tax expenses (–)/Tax income	0	165	0	93
Gains/losses (–) from net investments in foreign operations (after tax)	–2,860	–1,773	2,877	–779
Sum of income and expenses recognized directly in equity (after tax)	–2,901	963	4,533	6,015
Sum of income and expenses recognized in equity	–1,862	–7,438	13,481	–25,213
Of which attributable to:				
Shareholders of the parent company	–1,875	–7,451	13,452	–25,205
Non-controlling interests	13	13	29	–8

Consolidated Statement of Financial Position as of September 30, 2010

ASSETS

EUR k

	September 30, 2010	December 31, 2009
Non-current assets		
Property, plant and equipment	145,371	141,879
Intangible assets	48,858	49,836
Other financial assets	4,770	4,596
Deferred income tax assets	32,103	31,643
	231,102	**227,954**
Current assets		
Inventories	94,659	77,223
Trade accounts receivable	151,310	109,445
Other current financial assets	47,605	56,031
Property, plant and equipment held for sale	0	30
Income tax assets	857	1,709
Cash and short-term deposits	24,559	16,126
Other current assets	18,026	11,835
	337,016	**272,399**
Total assets	**568,118**	**500,353**

EQUITY AND LIABILITIES

EUR k

	September 30, 2010	December 31, 2009
Equity		
Subscribed capital	26,868	26,868
Capital reserve	58,237	58,237
Own shares	–7,441	–7,441
Retained earnings[1]	82,113	73,186
Accumulated other income[1]	4,201	–324
Equity attributable to shareholders of the parent company	**163,978**	**150,526**
Non-controlling interests	472	465
Total equity	**164,450**	**150,991**
Non-current liabilities		
Non-current financial liabilities	97,852	69,797
Other financial liabilities	5,997	8,078
Other liabilities	1,401	1,428
Retirement and benefit obligations	60,020	57,260
Deferred income tax liabilities	16,782	18,893
	182,052	**155,456**
Current liabilities		
Current financial liabilities	54,624	52,500
Trade accounts payable	95,392	86,193
Other current financial liabilities	4,277	2,461
Other current liabilities	54,138	42,988
Current income tax liabilities	5,970	1,904
Provisions	7,215	7,860
	221,616	**193,906**
Total liabilities	**403,668**	**349,362**
Total equity and liabilities	**568,118**	**500,353**

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

Consolidated Statement of Cash Flow as of September 30, 2010

EUR k

	01 – 09 2010	01 – 09 2009
1. Cash flow from operating activities		
Profit/loss (–) before income taxes	13,608	–30,511
Non-cash items		
Depreciation and impairment of property, plant and equipment	17,075	16,346
Amortization and impairment of intangible assets	2,473	2,268
Changes in provisions and pension provisions	4,070	5,292
Other non-cash changes	–350	4,300
Changes in net working capital		
Decrease/Increase (–) in trade accounts receivable and other receivables	–39,630	–20,319
Decrease/Increase (–) in inventories	–17,436	–417
Decrease/Increase (–) in other assets	423	3,938
Decrease (–)/Increase in accounts payable and other liabilities	23,545	4,743
Gains/losses from disposal of assets	–699	–567
Income taxes paid	0	0
Cash flow from operating activities	**3,079**	**–14,927**
2. Cash flow from investing activities		
Purchases		
Purchase of property, plant and equipment	–20,222	–18,581
Purchase of intangible assets	–1,322	–1,185
Purchase of investments	–184	–626
Disposals		
Disposal of property, plant and equipment	4,040	3,793
Disposal of intangible assets	0	–1
Disposal of investments	48	903
Interest received	1,027	1,527
Government grants received	964	0
Cash flow from investing activities	**–15,649**	**–14,170**
3. Cash flow from financing activities		
Dividend payments	0	0
Purchase of own shares	0	0
Repayment of bond	0	0
Changes in non-current liabilities to banks	28,056	0
Changes in current liabilities to banks	11,422	–3,389
Changes in lease liabilities	–1,091	4,960
Interest paid	–8,086	–5,127
Cash flow from financing activities	**30,301**	**–3,556**
4. Cash and cash equivalents at end of period		
Net changes in cash and cash equivalents (sub-total of items 1 – 3)	17,731	–32,653
Effects of exchanges rate differences	0	0
Cash and cash equivalents as of January 1	–20,806	736
Cash and cash equivalents as of September 30	**–3,075**	**–31,917**
5. Analysis of cash and cash equivalents		
Cash and short-term deposits	24,559	6,454
Securities	0	0
Bank overdrafts	–27,634	–38,371
Cash and cash equivalents as of September 30	**–3,075**	**–31,917**

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

EUR k

	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Accumulated other income: Cash Flow Hedges	Accumulated other income: Currency translation	Accumulated other income: Net investments in foreign subsidiaries	Total	Non-controlling interests	Group equity
As of January 1, 2010	26,868	58,237	73,186	−7,441	0	8,317	−8,641	150,526	465	150,991
Net profit/loss (–) for the period	0	0	8,927	0	0	0	0	8,927	21	8,948
Other profit/loss (–) for the period	0	0	0	0	0	1,648	2,877	4,525	8	4,533
Total net profit/loss (–)	0	0	8,927	0	0	1,648	2,877	13,452	29	13,481
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	−22	−22
As of September 30, 2010	26,868	58,237	82,113	−7,441	0	9,965	−5,764	163,978	472	164,450

as of September 30, 2009

EUR k

	Subscribed capital	Capital reserve	Revenue reserve	Own shares	Accumulated other income: Cash Flow Hedges	Accumulated other income: Currency translation	Accumulated other income: Net investments in foreign subsidiaries	Total	Non-controlling interests	Group equity
As of January 1, 2009	26,868	58,237	101,387	−7,441	−2,284	2,907	−7,218	172,456	526	172,982
Net profit/loss (–) for the period	0	0	−31,221	0	0	0	0	−31,221	−7	−31,228
Other profit/loss (–) for the period	0	0	0	0	2,076	4,719	−779	6,016	−1	6,015
Total net profit/loss (–)	0	0	−31,221	0	2,076	4,719	−779	−25,205	−8	−25,213
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	−29	−29
As of September 30, 2009	26,868	58,237	70,166	−7,441	−208	7,626	−7,997	147,251	489	147,740

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

Accounting

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

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

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

Accounting and valuation principles

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

Estimates and assumptions

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

Scope of consolidation

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

Currency translation

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

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

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

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

		Average rate		Closing rate	
		01 – 09 2010	01 – 09 2009	September 30, 2010	September 30, 2009
Argentina	ARS	0.194	0.198	0.186	0.178
Brazil	BRL	0.425	0.350	0.431	0.384
Bulgaria	BGN	0.511	0.511	0.511	0.511
China	CNY	0.111	0.107	0.110	0.100
United Kingdom	GBP	1.165	1.120	1.163	1.100
India	INR	0.016	0.015	0.016	0.014
Japan	JPY	0.008	0.008	0.009	0.008
Canada	CAD	0.725	0.626	0.711	0.637
Mexico	MXN	0.059	0.053	0.058	0.051
Poland	PLN	0.249	0.229	0.251	0.236
Russia	RUB	0.025	0.023	0.024	0.023
Switzerland	CHF	0.716	0.663	0.753	0.663
Serbia	RSD	0.010	0.011	0.009	0.011
Czech Republic	CZK	0.039	0.038	0.041	0.040
Turkey	TRY	0.498	0.465	0.505	0.460
USA	USD	0.756	0.729	0.733	0.683

Revenue

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

EUR k

	Q3 2010	Q3 2009	01 – 09 2010	01 – 09 2009
Gross revenue	233,503	177,268	679,578	520,847
Sales deductions	−964	−429	−2,530	−2,324
Net revenue	**232,539**	**176,839**	**677,048**	**518,523**

Revenue as of September 30, 2010 of EUR 677,048 thousand includes contract revenue of EUR 12,132 thousand (01 – 09 2009: 16,420) determined using the PoC method. Revenue for the third quarter in the amount of EUR 232,539 thousand includes contract revenue of EUR 4,868 thousand (Q3 2009: 7,319) determined in accordance with PoC method. These revenues relate to development activities as well as operating funds that must be expensed and financed by GRAMMER Group until a product reaches serial production and generates initial revenues. These are primarily attributable to the Automotive division.

Other income

Other operating income totaling EUR 5,319 thousand as of September 30, 2010 (01 – 09 2009: 4,323) includes income from the reversal of provisions and proceeds from the sale of scrap metal and materials handling costs, as well as proceeds from the sale of property, plant and equipment.

Financial result

EUR k

	Q3 2010	Q3 2009	01 – 09 2010	01 – 09 2009
Financial income	457	381	1,027	1,527
Financial expenses	−5,929	−3,295	−10,441	−7,377
Financial result	**−5,472**	**−2,914**	**−9,414**	**−5,850**

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

Cost of sales

The cost of sales includes the manufacturing costs attributable to sales and the cost of merchandise. This item also includes costs for operating below capacity and any other production-related overheads and administrative expenses. The expenditure required to set up reserves for warranty purposes is covered by this item as well. The cost of sales also includes non-capitalized research and development costs as well as amortization of development costs. Expenses relating to the development and expansion of plant locations in preparation for forthcoming series production („industrialization costs") are included in the cost of sales to the extent that these expenses cannot be deferred. Development in the Seating Systems division is generally performed on a „design to market" basis, with the corresponding costs recognized accordingly. The costs of inventories as of September 30, 2010, which are recognized as an expense in cost of sales amount to EUR 558,761 thousand (01 – 09 2009: 439,081).

Selling expenses

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

Administrative expenses

Administrative expenses include all administrative expenditure which cannot be assigned directly to other functions, including expenditure for general administration, management and other staff departments. This item also includes income from exchange rate fluctuations during the period to September 30, 2010 in the amount of EUR 14,322 thousand (01 – 09 2009: 10,047) 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 14,566 thousand (01 – 09 2009: 14,900) are also recognized under other administrative expenses.

Earnings per share

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

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

	01 – 09 2010	01 – 09 2009
Weighted average number of no-par value shares used to calculate basic/diluted earnings per share	10,165,109	10,165,109
Consolidated net profit/loss (–) (in EUR thousand)	8,927	−31,221
Basic/diluted earnings/loss (–) per share in EUR	0.88	−3.07

No transactions involving no-par value shares or potential no-par value shares of the Group were effected in the period between the reporting date and preparation of the consolidated financial statements. No changes or further acquisitions of own shares occurred as of September 30, 2010.

Intangible assets

Intangible assets include capitalized goodwill as well as capitalized development costs. In the period under review, EUR 1,314 thousand were invested in licenses and software. Amortization costs totalled EUR 2,473 thousand (01 – 09 2009: 2,268).

Property, plant and equipment

In the period to September 30, 2010, EUR 20,222 thousand was invested in property, plant and equipment. Depreciation in the same period totaled EUR 17,075 thousand (01 – 09 2009: 16,346).

Inventories

The rise in inventories to EUR 94.7 million (2009: 77.2) is primarily attributable to the marginal recovery of business activities. All inventories are carried at cost. There were no significant writedowns to the lower fair value.

Trade accounts receivable

The total receivables of EUR 151.3 million (2009: 109.4) can be attributed to the structure of revenue development over the past several months. The fair values of trade accounts receivable are equal to their carrying amount. There are no restrictions on ownership or disposition.

Other current financial assets

Other current financial assets primarily consist of receivables from construction contracts amounting to EUR 46.0 million (2009: 55.0), as well as other receivables in the amount of EUR 1.6 million (2009: 1.0).

Other current assets

Other current assets of EUR 18.0 million (2009: 11.8) include other assets totaling EUR 14.0 million (2009: 9.6) and prepaid expenses totaling EUR 4.0 million (2009: 2.2). Other assets primarily comprise pass-through tax claims such as value added tax, receivables from employees and receivables due from creditors with debit balances.

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

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

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

Revenue reserves reflect income earned in the past by the companies included in consolidation, provided such income was not paid out as dividends. As a result of the profit for the first nine month, retained earnings increased year-over-year from EUR 73,186 thousand to EUR 82,113 thousand.

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

Dividends
The Company distributes dividends in accordance with section 58 (2) AktG based on net profit in the financial statements of GRAMMER AG, which are prepared according to the German Commercial Code. GRAMMER AG posted a net loss of EUR -19.8 million as of December 31, 2009. This took into account profit of EUR 10.3 million carried forward, the allocation of EUR 7.3 million to other revenue reserves, as well as the withdrawal of EUR 0.3 million from the reserve for own shares transferred to other revenue reserves. Due to the statutorily mandated assumption of loss utilization, the net loss as of December 31, 2009 was 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 September 30, 2010, GRAMMER AG holds a total of 330,050 own shares, all of which were acquired in fiscal year 2006 for a total purchase price of EUR 7,441 thousand. These shares have a total value of EUR 844,928 and represent 3.1448 % of share capital.

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

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

The increase in pension obligations and similar obligations to EUR 60.0 million (2009: 57.3) is due to existing commitments. The pension expense for the interim period is calculated on a year-to-date basis using a preliminary estimate based on the previous year's expert opinion adjusted to reflect significant events.

Current liabilities
Current financial liabilities totaling EUR 54.6 million are slightly higher than the prior-year level (2009: 52.5) as a result of the new financing structure. They include amounts drawn as overdrafts on existing lines of credit on which interest is charged at a money market rate plus a fixed credit margin.

Other current liabilities of EUR 54.1 million are substantially higher than the prior-year level (2009: 43.0) as a result of business developments. This item consists primarily of social security obligations owed to social security authorities and liabilities to employees from outstanding leave, overtime, flextime etc. as well as liabilities relating to value added tax.

Current income tax liabilities principally comprise income taxes for fiscal 2009 and the first nine month of the year 2010.

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

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

Statement of Cash Flow

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

Segment Reporting

Segment information

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

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

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

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

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

Operating segments

EUR k

Fiscal year as of September 30, 2010	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	234,165	442,883	0	677,048
Inter-segment revenue	14,945	1,063	−16,008[1]	0
Total revenue	**249,110**	**443,946**	**−16,008**	**677,048**
Segment earnings (Operating profit)	**11,975**	**14,978**	**−3,931**	**23,022**
Segment assets	**164,815**	**346,049**	**57,254**	**568,118**

EUR k

Fiscal year as of September 30, 2009	Seating Systems	Automotive	Central Services/ Reconciliation	GRAMMER Group
Revenue to external customers	173,737	344,786	0	518,523
Inter-segment revenue	9,968	1,153	−11,121[1]	0
Total revenue	**183,705**	**345,939**	**−11,121**	**518,523**
Segment earnings (Operating profit)	**−8,120**	**−8,260**	**−8,281**	**−24,661**
Segment earnings	**143,397**	**312,217**	**34,652**	**490,266**

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

Reconciliation:

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

EUR k

	01 – 09 2010	01 – 09 2009
Segment earnings (Operating profit)	26,953	–16,380
Central Services	–4,360	–8,594
Eliminations	429	313
Group earnings (Operating profit)	23,022	–24,661
Financial result	–9,414	–5,850
Profit/loss (–) before income taxes	13,608	–30,511

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

Related party disclosures

The following table details transactions with related parties as of September 30, 2010 and 2009:

EUR k

Related parties		Sales to related parties	Purchase to related parties	Receivables from related parties	Liabilities to related parties
Jointly-controlled entities in which the parent is a venturer:					
GRA-MAG Truck Interior Systems LLC	2010	614	0	9,402	0
	2009	7	0	7,837	0

Contingent liabilities

As of September 30, 2010, guarantees existed in the amount of EUR 1,006 thousand, primarily for leased offices and as contract guarantees to ensure against breaches of contract.

Events after the balance sheet date

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

Other information

On May 18, 2010, the Supervisory Board of GRAMMER AG appointed Manfred Pretscher (Dipl. Ing.) as a new member of the Executive Board effective August 01, 2010. Thus, after the departure of Dr. Rolf-Dieter Kempis from the Chief Executive Officer of the Executive Board as of July 31, 2010, Manfred Pretscher will be complete the three-person board of our Company alongside the new CEO Hartmut Müller and CFO Alois Ponnath.

Financial Calendar and Trade Fair Dates 2010

Important dates for shareholders and analysts

Interim Report, third quarter 2010	11/09/2010
German Equity Forum, Frankfurt	11/22 – 11/24/2010

Trade fair dates

METS, Amsterdam, Netherlands	11/16 – 11/18/2010
BAUMA China, Shanghai	11/23 – 11/26/2010
boot, Dusseldorf	01/22 – 01/30/2011
Conexpo, Las Vegas, USA	03/22 – 03/26/2011

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