Quartalsbericht per 30. Juni 2003
Interim Report June 30, 2003

GRAMMER

Grammer Group Key Figures

(in EUR m)	Jan.1 - June 30, 2002	Jan. 1 – June 30, 2003	Change
Sales	389.9	400.6	+ 3 %
- inside Germany	227.9	223.1	- 2 %
- outside Germany	162.0	177.5	+ 10 %
Sales by product area:			
- Automotive	265.5	270.2	+ 2 %
- Driver seats	101.5	106.5	+ 5 %
- Passenger seats	22.8	23.9	+ 5 %
- Other	0.1	0.0	
EBITDA	32.5	29.5	- 9 %
EBIT	17.6	16.2	- 8 %
Earnings from ordinary activities	12.6	12.7	+ 1 %
Net income for the period	8.8	6.2	- 30 %
DVFA EPS (in EUR)	0.84	0.59	- 30 %
Investments in intangible and tangible assets	14.5	6.6	- 55 %
Depreciation	14.9	13.3	- 10 %
Cash flow from operating activities	24.7	20.8	- 16 %
Number of employees (as at June 30)	7,372	7,480	+ 2 %
Personnel expense	87.1	91.6	+ 5 %
Personnel expense/total output (in %)	22.3 %	22.9 %	

New auto registrations in West Europe decrease just under 3%

In the first half of 2003, a total of 2.6 percent fewer cars were sold in West Europe than a year earlier. Growth was only recorded in Austria, Finland and Sweden while all other countries succumbed to losses. Cautious recovery signs appeared towards the end of the period under review: While the first few months of the year were determined by economic and political uncertainties, in June, new car registrations rose in nine of the 15 European countries.

A cautious upside trend commenced in Germany, too; it was, however, brought up short by the strike in the East German metal industry. In total, new registration numbers from January to June remained down one percent on the previous year.

In the United States, a total of two percent fewer light vehicles were sold than in the first half of 2002 despite high discount campaigns there. Sales of light utility vehicles (this includes pickups and vans as well as sports and cross utility vehicles which are particularly popular in the United States), increased by one percent, while sales of conventional cars faltered by six percent. China developed into a substantial pillar in the global automobile economy: In the first five months of 2003, it scored record figures, with sales surging 83 percent and production rocketing 109 percent in total.

Difficult conditions in the utility vehicle segment

The situation in the utility vehicle sector is still very difficult. In the first-half of 2003, sales in Germany dropped a further four percent. The demand for utility vehicles up to six tons was particularly bad: Here, new registrations have been declining since the beginning of 2000, and in the period under review slackened a further six percent. In the year thus far, one percent more heavy trucks over six tons have been registered than in the same period last year. At the end of May 2003, new bus registrations in West Europe were up one percent on the respective period the year before. By contrast, sales of buses dropped a further three percent while new registrations in Germany increased by three percent. In the railcar business there continues to be high demand for redesigning while new business in Europe has also revived slightly.

Group sales: some 3% up on the year

In the first half of 2003, restrained demand in important markets also characterized trends for Grammer Group business. Moreover, operating business in the first six months was influenced by the increase in new cars and model changes. However, we boosted Group sales by three percent to EUR 400.6 million compared with EUR 389.9 million in the same period the year before. A decline in business inside Germany owing to overall economic conditions, i.e. a decline of some two percent from EUR 227.9 million the previous year to EUR 223.1 million, contrasted with clear sales growth outside Germany. There, the volume increased by nearly 10 percent from EUR 162.0 million for H1 2002 to EUR 177.5 million. Figures for the previous year have been altered in order to account for the adjustment in Group invoicing. On this adjusted basis, the proportion of foreign sales in total Group volume increased from 41.5 percent to 44.3 percent.

In 2003, we introduced a broad-based innovation and process optimization drive in order to counter the ongoing market weakness. This focuses firstly on stabilizing and standardizing important processes within the company. Secondly, we have appreciably strengthened our R&D activities in all three divisions with the aim of further enhancing our existing core competence and expanding our product spectrum.

Grammer Automotive: slightly higher sales

In the Automotive division, for example, we introduced a new technology for foamed backing for headrest upholstery. The process used in Mexico for the new VW Golf saves time and costs. Also, the innovative polyurethane skin we developed in-house, a high-quality surface covering for use in the interior design of cars, has now gone into series production for the door armrests of the new 5-series BMW. In addition we supply the latter car model with rear armrests and headrests and, on request, provide a crash-active headrest version for it. Start of production for this car was in January, with the market release at the beginning of July. Thus in the period under review, no sales had been generated yet. Nevertheless, by the end of June business volume in the Automotive division rose just on two percent from EUR 265.5 million in H1 2002 to EUR 270.2 million. The Jaguar XJ, which was introduced at the end of May, is another new model that has gone into production.

Driver and Passenger Seats both increase by five percent

The Grammer Group achieved Driver Seats sales totaling EUR 106.6 million, five percent up on the figure of EUR 101.5 million the previous year. This is primarily attributable to the positive demand for tractors and agricultural machines in Europe. By contrast, business with stackers and particularly with construction machinery was hit by the ongoing economic weakness. Particularly in the United States demand for driver seats was restrained. Sales of truck seats remained below our targets in all regions.

In the bus sector, the downslide of the last three years continued. In addition, in the period under review the political situation in the Middle East and the outbreak of SARS also had a negative impact. In order to adjust our structures to the ongoing economic weakness we introduced a reorganization program for Italy. The aim is to be able to respond more flexibly to capacity fluctuations. In Turkey we are likewise working on optimizing all processes in order to improve profitability and to guarantee our market share in the bus sector. Business with railcars by contrast was lively. Here we gained new contracts for seats for German Interregio trains as well as for outfitting trains in Germany and the Middle East. On balance, due to favorable business with railcars we increased Passenger Seats sales by more than five percent to EUR 23.9 million compared with EUR 22.8 million the year before.

Results: Higher cost pressure adversely affects profit

In H1 2003, Grammer Group EBIT came to EUR 16.2 million, or approx. eight percent down on the respective figure for 2002 of EUR 17.6 million. The EBIT margin, as a ratio of sales, slipped from 4.5 percent to 4.0 percent. Key factors here: the new model start-ups already mentioned and the ongoing fierce pressure on prices in all three product divisions. The innovation drive we initiated also led to higher costs. R&D staffing levels were expanded, causing the personnel expense as a ratio of total sales to rise from 22.3 percent to 22.9 percent. Material costs, by contrast, improved from 59.4 percent to 58.4 percent, with our supply chain management starting to have a beneficial impact. Other operating expenses decreased from EUR 52.0 million to EUR 46.5 million, whereby operating and administrative costs remained stable.

Earnings from ordinary business activities rose slightly on the year from EUR 12.6 million to EUR 12.7 million as a consequence of improved net financial income. Reasons for this were a further reduction in bank liabilities and the favorable interest-rate trend. Group net income after tax, however, dropped from

EUR 8.8 million to EUR 6.2 million as the Group's tax load rose approx. EUR 2 million in the absence of loss carryforwards. This translates into an EPS of EUR 0.59 compared with EUR 0.84 the year before.

Investments: Clearly reduced

In the year under review, investments in tangible and intangible assets fell from EUR 14.5 million one year earlier to EUR 6.6 million. The bulk of investments were committed to the planned purchase of tools and machines. The Automotive division accounted for a total of EUR 3.2 million or about half the Group's investments, EUR 2.5 million were assigned to the Driver Seat sector and EUR 0.7 million to the Passenger Seats division. EUR 0.2 million were invested in the central divisions. Group depreciation was approx. ten percent lower than the previous year at EUR 13.3 million.

In the first six months of 2003, Group investments were completely financed from own funds, although cash flow from operating activities fell from EUR 24.7 million to EUR 20.8 million as a result of the lower earnings.

Balance sheet: Debt repayment progresses

Despite the expansion in sales, as at June 30, the Grammer Group balance sheet total contracted from EUR 392.5 million to EUR 383.6 million. On the assets side, fixed assets fell from EUR 164.4 million to EUR 148.9 million as there were clearly fewer investments made. On the reporting date, current assets, by contrast, had increased from EUR 226.3 million to EUR 232.2 million. The decrease in receivables and other assets from EUR 142.2 million to EUR 139.5 million compared with an increase in inventories from EUR 81.2 million to EUR 87.9 million, and liquid assets which climbed from EUR 2.8 million to EUR 4.5 million.

On the liabilities side, shareholders' capital rose 14 percent to EUR 134.7 compared with EUR 118.0 the year before; together with the lower balance sheet total, this resulted in another clear improvement in the equity ratio from 30.1 percent to 35.0 percent. Liabilities were cut from EUR 227.4 million to EUR 190.8 million, whereby specifically liabilities due to banks were again sharply reduced by 57 percent from EUR 84.3 million to EUR 36.0 million thanks to progress with our consistent debt repayment policy. In total, balance sheet ratios in the Grammer Group are now once again so good that banks have re-rated the company as "investment grade".

Staff: Expansion in Development

On June 30, 2003, the Grammer Group employed a total of 7,480 people inside and outside Germany, an increase on the year of 108. At the end of the quarter, staff numbers in the Driver Seat and Automotive divisions had expanded to 2,408 and 4,632 people respectively, up from 2,384 and 4,406 the previous year. By contrast, staffing levels in the Passenger Seats division declined from 332 to 314. The cuts were particularly felt in Turkey and Italy in response to the slump in the bus business, with further measures scheduled in Italy for this reason. At the end of Q2, Grammer employed 120 people in the central divisions compared with 122 the previous year. Outside Germany, as at June 30, 2003, a total of 4,896 staff were employed, down from 4,925 the previous year while staff numbers in Germany rose from 2,447 to 2,584. We focused here among other things on the Development section.

Outlook: Restrained growth expected for 2003

We strive for greater process security and together with the launch of our innovation drive this forms the basis on which we will consistently continue to enhance efficiency and also strengthen our market position. On aggregate, however, we expect lesser sales growth in 2003 than in 2002, when we reported growth of eight percent.

Despite the difficult conditions, we do not expect to succumb to losses in any of the product divisions: In the Automotive division it appears from today's perspective that we will achieve a slight increase in sales if the favorable demand for high-quality cars continues. Also, the new models introduced in September at the IAA, and they will be produced in the second half of the year in greater quantities, will have a positive impact on the automobile industry in Germany. In the Driver Seat segment, we expect sales on a par with the previous year. While the market for construction machinery will continue to be influenced by the weak construction sector, in the tractor segment there will be continued demand for premium brands at the very least in Europe, where we are increasing our market share. The volume business and sales in the United States are, by contrast, very sluggish. The demand for truck seats should stabilize on the whole at the previous year's level. And sales by our Passenger Seats division should also reach 2002 levels even though the ongoing three-year downturn in the bus segment will continue.

In the current year, Group EBIT will probably be lower than in 2002. As long as economic trends do not deteriorate in the course of the year the percentile decline for the whole year should be less than that for the half-yearly figures. Structural adjustments in the Driver and Passenger Seat sectors are a negative factor and we are adjusting our capacities to the market weakness in certain sub-segments. Furthermore, the extensive development projects will initially eat into earnings before they start to have a beneficial effect on earnings. In addition, very high pricing pressure on car manufacturers will aggravate conditions.

Amberg, August 2003
Grammer AG
The Board of Management

Grammer Group Income Statement

For the period Jan. 1 thru June 30, 2003

(Figures in EUR 000)	Jan. 1 – June 30, 2002	Jan. 1 – June 30, 2003
Sales revenues	389,904	400,603
Changes in inventory	1,100	-6,985
Own output capitalized	330	351
Other operating income	11,759	8,261
Total output	**403,093**	**402,230**
Cost of materials	-231,573	-234,578
Gross profit	**171,520**	**167,652**
Personnel expense	-87,079	-91,610
Depreciation	-14,890	-13,347
Other operating expenses	-51,976	-46,526
Financial loss	-4,979	-3,512
Earnings from ordinary activities	**12,596**	**12,657**
Extraordinary income/loss	75	-504
Taxes	-3,907	-5,908
Net income for the period	**8,764**	**6,245**

Consolidated Balance Sheet (abbrev.)

ASSETS	June 30, 02 (in EUR 000)	June 30, 03 (in EUR 000)	LIABILITIES	June 30, 02 (in EUR 000)	June 30, 03 (in EUR 000)
A. FIXED ASSETS	164.4	148.9	A. SHAREHOLDERS' CAPITAL	118.0	134.7
- of which intangible assets	44.1	38.5	B. ACCRUALS.	46.1	56.9
- of which tangible assets	110.7	102.1	C. LIABILITIES	227.4	190.8
- of which financial assets	9.6	8.3			
B. CURRENT ASSETS	226.3	232.2	- of which bonds	60.0	60.0
- of which inventories	81.2	87.9	- of which due to banks	84.3	36.0
- of which trade receivables and other assets	142.2	139.5	- of which trade accounts payable	54.1	61.8
			- of which other liabilities	29.0	33.0
- of which cash and equivalents	2.8	4.5			
- of which deferred tax assets	0	0.3			
C. PREPAID EXPENSES	2.2	2.4	D. PREPAID INCOME	0.9	1.1
D. DEFERRED TAX ASSETS	-0.5				
Total	**392.5**	**383.6**	**Total**	**392.5**	**383.6**

Consolidated Cash Flow Statement

(figures in EUR 000)	Dec. 31, 2002	June 30, 2003
1. Operating activities		
Net income for the year	23,381	6,245
Depreciation on fixed assets	30,424	13,347
Additions to fixed assets	0	0
Increase in pension accruals	2,641	1,176
Deferred tooling costs written back	0	0
Loan discount written back	159	0
Cash flow	**56,605**	**20,768**
Change in fixed assets through disposals	3,790	-605
Change in inventories	-2,227	1,020
Change in receivables	-2,523	-15,430
Change in other assets	373	-7,677
Change in accruals	4,772	4,098
Change in other liabilities	-5,764	10,734
Cash flow from operating activities	**55,026**	**12,908**
2. Investing activities		
Cash for investments in fixed assets	-24,114	-6,689
Cash for investing activities	**-24,114**	**-6,689**
3. Financing activities		
Contributions by partners	0	0
Change in exchange-rate adjustment item	-632	1,426
Change in revenue reserve not impacting on earnings	180	-1
Change in minority interests	-1,330	0
Dividend disbursement	-11	0
Change in noncurrent bank liabilities	-6,300	-1,529
Cash for financing activities	**-8,093**	**-104**
4. Cash and cash equivalents		
Changes in cash and cash equivalents	22,819	6,115
Cash and cash equivalents at the beginning of the period	-43,625	-20,806
Cash and cash equivalents at the end of the period	-20,806	-14,691
5. Composition of cash and cash equivalents		
Liquid funds	5,374	4,543
Short-term liabilities due to banks	-26,180	-19,234
Cash and cash equivalents at the end of the period	-20,806	-14,691

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