



Annual General Meeting of GRAMMER AG
Amberg, May 28, 2009

Speech by Dr. Rolf-Dieter Kempis
Chairman of the Executive Board

The spoken word takes precedence.

Restricted until: Wednesday, May 28, 2009, 11:00 AM

Dear shareholders,

Honored guests,
Ladies and gentlemen,

I am pleased to welcome you in the name of the Executive Board to the Annual General Meeting of GRAMMER AG here in Amberg. This year, as in the past, my colleagues Mr. Ponnath and Mr. Müller will join me in presenting to you the business situation of the past year, and explaining the current and future issues confronting our Company.

As you know ladies and gentlemen, we are all facing a great challenge – namely, steering your and our Company through rough seas. The reasons why we, the Executive Board of GRAMMER AG, nonetheless look ahead with optimism, we hope to make clear to you today.

Let me begin by looking back on the performance of the Company in 2008. How successful might this year have been if we look at the way things developed up to September: revenues were high, with prospects of total sales of roughly EUR 1.1 billion; a healthy profit situation, not quite hitting the 5% target, but on course to clearly exceed the forecast EUR 32 million in EBIT. The new measures were generating initial success: introduction of a new internal structure at the end of 2008 led to a tangible

profit & loss mindset among the GRAMMER management team; the lean programs at the production locations were returning productivity gains of roughly 20%; sales efforts in the area of center consoles were paying off with orders for Mercedes SLK and Audi A6.

But then came the fourth quarter of 2008, and the beginning of the deepest recession to hit the global economy since 1929. Revenues dropped off a cliff. Major customers cut the size of their orders by more than 20% with only a few weeks' notice. This situation led us, the Executive Board of GRAMMER AG, to pull out all the stops to ensure the survival of the Company. Massive spending cuts cost, short-time work, initial headcount adjustments and, starting in the 1st quarter 2009, plant closure projects and negotiations to adjust the supplementary wage agreement. The scope of the measures implemented – but more importantly the speed with which we acted – allowed us to somewhat diffuse the effects of the dramatic revenue declines of around 35% in the first quarter.

This short summary clearly illustrates the two extremes that characterized our business last year, and the related challenges for our Company. In a few minutes, my two Executive Board colleagues and I will go into more detail with respect to the figures, events and steps taken in 2008 and

2009. In my speech, I would like to touch on the main topics, about which my colleagues will then elaborate.

We are presently in the midst of the worst economic crisis since 1929. The severe crisis in the financial sector has hit the real economy very hard. The global economy is shrinking and even growth markets like China, where double-digit growth was normal just a short time ago, are now expanding at a sluggish pace or even stagnating. The effects on mature markets, the eurozone and NAFTA countries have been grave. Gross domestic product in the eurozone will decline by roughly 4%. In the US, the economy will contract by 3%.

This has a substantial impact on companies. Revenue declines of more than 30% are commonplace, and credit is hard to come by. Commodity prices and exchange rates are exhibiting volatility like seldom before.

As a logical consequence, waves of bankruptcy have followed.

The effects on the automotive industry have been dramatic. Sales in the NAFTA region have fallen 35%, and Europe is facing nearly 20% declines – a figure that has actually been moderated by numerous government stimulus measures such as the “scrap bonus” in Germany.

Sales by German automakers have been hit particularly hard, as German car exports are down 38%. And allow me to note that the collapse in sales

is not only affecting so-called luxury vehicles. The problems extend all the way to the compact class segment.

Even greater impacts are being felt in the area of capital goods: the truck industry has seen revenues shrink by 50%, with orders falling off by as much as 70%. As a result of weak demand for transport, conditions have also deteriorated in the industrial truck market. Orders for new forklifts are being cancelled as investments are postponed.

Sales of construction machinery have gone downhill with the decline of investment in construction, and in the area of agriculture, the growth being driven by ethanol production has halted as a result of the slumping price of crude oil.

Please don't misunderstand me: I am not trying to paint an apocalyptic picture of the future. I too am convinced that every crisis is followed by a recovery. As the saying goes: "There is nothing permanent except change."

But, my colleagues and I are indeed interested in portraying things as they are, so that the Company can arm itself to face the difficult situation and lay the groundwork to emerge from the crisis stronger than before. This also means that we will continue to focus on and pursue our strategy of modernizing the GRAMMER Business System and strengthening our market position.

Please allow me to underline this with a look at the situation of the GRAMMER business divisions. We will start with Seating Systems:

Naturally, the decline in sales mentioned earlier have an effect on our core products like tractor seats, construction machinery seats, forklift seats and truck seats. In reaction to this, we are forced to implement cost saving measures – I remind you of the opening of my speech. But, we continue to work on the strengthening of our technological leadership. At the end of 2008, for instance, we began with production of offroad seats in China. At the same time, acquisition of new orders in the area of truck seats has paved the way for a successful market launch of our new ECHO truck seat.

In the Automotive division, we have systematically continued to follow the strategy of expanding our center console business, winning orders for the VW Touareg, the Audi A6 and the Mercedes SLK. Center consoles are of key importance to us, as they allow the expansion of our capabilities as a system supplier and underscore our position as a direct partner for engineers and designers at the OEMs.

In 2008, we also decided to prepare the way for a modernization of the GRAMMER Business System. Our aim in this regard goes beyond the modernization measures already introduced at the end of 2007 (lean

management). We are now in the process of using this approach to streamline and improve the performance of all areas within GRAMMER Group, from development to administration. Mr. Müller will speak more about these initiatives in his presentation.

At this point, please allow me to give you my outlook for 2009 and 2010. We are convinced that this crisis will last for quite a while yet. Wisdom dictates that we should not hope for the miracle of a quick return of the market to the level seen in 2008. Instead, we must position the Company to be profitable from a revenue level of EUR 650 to 700 million. I am not talking about downsizing, but rather a tightening up of structures with the potential to come out of this crisis on more sound footing.

As you have already heard, my mandate as Chairman of the Executive Board and Personnel Director of GRAMMER AG has been extended by another year, to July 31, 2010. Allow me to put this into perspective: I decided in mid-2007 to take on this office for two years, with the aim of modernizing the GRAMMER organization and making it more dynamic. The Supervisory Board and Executive Board agree that we have made a great deal of progress along this path, and that the robustness with which the Company is reacting to the present crisis is evidence of this. Nonetheless, given the current state of affairs, the Supervisory Board

asked me to stay on for another year, as not to jeopardize the ongoing process of change. I am prepared to do so, and I must admit that, despite all of the current difficulties, the job has been a lot of fun and will certainly continue to be a pleasure for another year. Therefore, I would like to take this opportunity to offer my personal thanks to the other members of the Executive Board, my management team and all of the employees of GRAMMER for their excellent work. The necessary continuity of management after July 2010 has also been taken care of, and I am pleased to announce that the Supervisory Board has already chosen my colleague Hartmut Müller as my successor.

I will wait until next year, however, to wish him all the best in this new role.

In closing, I would like to express my thanks to you as well, dear shareholders. Thank you for the trust that you have placed in the Company and its management team, as well as the loyalty you have shown. It is not easy, and I am speaking from experience, to be a shareholder of a company in the automotive supply industry right now. Believe me, the proposal to suspend the dividend for 2008 was not an easy decision for me, as this is so contrary to the goal of being a high dividend yield stock. However, in times like these, there can be only one motto: cash is king. I feel that it would make little sense to burden the liquidity situation of the Company with a dividend payment at this point.

Mr. Ponnath will discuss this matter in detail later on, and I would be very pleased if you would signal your willingness to join us down this path.

I would now like to introduce my colleague Mr. Müller.

Thank you very much.