



Grammer AG
Annual General Meeting
Amberg, May 28, 2008

Presentation by Dr. Rolf-Dieter Kempis
CEO

Check against delivery.

Restricted until: Wednesday, May 28, 2008, 11:00 AM

Dear shareholders,
guests,
ladies and gentlemen,

on behalf of the Grammer AG Executive Board I would like to welcome you warmly to this year's Annual General Meeting. We are pleased to see that so many of you have responded to the invitations to join us here at the Amberg Congress Center and receive first-hand information about the positioning, strategic alignment and outlook of your company.

Let me start with a discussion of the strategic organization of the Grammer Group and the Automotive division. After that, fellow Board member Hartmut Müller will present and give a status report on the optimization program underway, including our quality initiatives. Quality is a key issue for Grammer, which has to do with why a great deal of attention was devoted to the subject in this year's annual report. Next CFO Alois Ponnath will be presenting in discussing the key figures for 2007 along with a review of the first quarter of this year.

Ladies and gentlemen, in fiscal year 2007 Grammer moved within striking distance of EUR 1 billion sales mark. While pleased at the growth of our business, it is evident that there is yet a lot of work ahead for our corporation, particularly in the area of profitability. An EBIT margin of 3.2% is not and should not be satisfactory. Our ability to meet our estimates by concretely focusing on earnings is a prerequisite for business success, especially in our markets!

For this reason we are working intensively to optimize production processes, streamline workflows and create lean organizational forms. We want to optimize the Grammer cost structure. Doing so is key to retaining our position in the marketplace as a leader in innovation, safety, design and comfort, and to our ability to fully capitalize on market opportunities.

I would like to direct your attention briefly to this chart for our discussion of the strategic positioning of Grammer AG. The chart depicts automotive supply component segments with respect to development and assembly complexity.

First comes the good news: A supplier like us can be well-positioned in all nine segments as supported by a comprehensive study which took place during my time at McKinsey.

There are successful and less successful companies operating in each of these nine fields. Success depends on having the right strategy for the segment and on the systematic implementation of that strategy. It is quite common that big companies are operating in different segments – however the key to success is to focus on the segment-specific success drivers. Each field entails its own set of requirements, in terms of developmental know-how, becoming increasingly sophisticated moving from bottom to top in the chart. Moving from left to right, the chart shows the increasing complexity of assembly and thus the level of challenge in deciding the extent of automation to be employed and reliance on 'low-cost' production locations.

In field 1 for example, it is sufficient for an automotive supplier to be able to competitively produce mass products, such as screws (something that by no means goes without saying!) Field 9 on the other hand demands the ability to develop and produce complete air-conditioning systems.

In which segments does Grammer operate?

We produce complete seat units for demanding applications – which is clearly segment 9. A high level of developmental expertise to secure our technological leadership, especially in the offroad segment, but also a highly skilled production personnel are both crucial for the production of these highly complex products.

Though standard seats, crash-active head rests, complex center armrests and center consoles for luxury vehicles are not as technologically sophisticated as offroad seats, skilled development personnel and effective production process chains are an absolute must. These products fall into segment 6.

Grammer also produces standard headrests for which customers pay no more than EUR 5 and blueprint products, of which the development process is entirely in the hands of the vehicle manufacturer. These products belong to segment 2. Technological differentiation is only possible here to a minor extent; with these simple products it is key to utilize efficient assembly technology and 'low-cost' reduction locations (i.e. in low-wage countries).

Why does Grammer need to segment its business? We do this so as to require focusing on segment-specific success factors, and in order to formulate appropriate measures for our development units and production plants to allow us to remain competitive.

I am very blunt in this regard, because while everyone knows that Grammer is capable of developing technologically superior products, I believe that not enough attention has been paid to development and production costs over the last few years, impacting pricing competitiveness. This is the point of departure for our optimization program, regarding which Mr. Müller will be discussing a number of interesting points in the presentation following.

We would now like to give an overview of the market positioning and strategic alignment of Grammer product segments, "we" being myself and Mr. Müller, who will be discussing Seating after I cover Automotive.

In 2007, the Automotive division accounted for roughly 2/3 of sales at EUR 660 million while generating only 30% of Grammer Group EBIT of approximately EUR 10 million. In the second half-year of 2007 and Q1 2008, profitability problems in Automotive were particularly obvious given 'flat' earnings.

What are the reasons behind this dissatisfactory earnings situation?

First off there is our current market environment, characterized by - as you will be aware - rising commodity prices, a weak US dollar and significant rises in personnel and infrastructure costs at our Eastern European locations. These factors have negatively impacted Automotive earnings. Significant internal factors also played a role in addition to economic conditions, involving substantially increased costs. Rationalization measures implemented in procurement and at our production plants were not large enough in scope to compensate for cost increases and falling prices over the course of the year - in plain language: We did not react in time and not forceful enough. Additionally there were product-related startup costs impacting our results especially in the US.

Grammer Group executive management is confident however that the restructuring program implemented for Automotive will rectify the situation this year.

What makes us so confident?

We have the potential to raise efficiency significantly by reducing fixed costs and enhancing productivity at our plants worldwide.

We do not have a market problem. Grammer products are known for their high quality and excellent design, which is why they are so successful with our Automotive customers.

Grammer has for many years been a recognized development partner to all Western manufacturers, with research and development centers in the three major regions of the automotive industry: the US, Europe and Asia.

Grammer's in-house-developed crash-active headrests are proof of our innovative capability, which advance within milliseconds when triggered by an ABS sensor, protecting passengers in the event of an accident. This reduces the

risk of head and neck injury, especially when hit from behind. This innovative system opened up a new market for Grammer in the increasingly important area of passenger safety. This technology is now standard equipment for premium vehicle manufacturers. Chrysler has recently contracted with Grammer for its vehicle fleet. Starting in 2009 we will be equipping 50% of all Chrysler vehicles with crash-active headrests. The primary objective with crash-active headrests and in the armrest product segment is to further consolidated on Grammer's position as a leader in innovation.

Center consoles are among the most important interior automotive components, providing means for passengers to relax and communicate. We intend to be more active in this area going forward. Having successfully begun supplying center consoles for the VW Passat, we recently won another attractive contract to produce center consoles for the VW's premium Touareg SUV. We continue to move forward with efforts to grow as a system producer of center consoles. The VW Passat, the VW Touareg and the new Range Rover are all attractive models with which we are able to showcase our competency as systems provider. Going forward Grammer will be increasing verticalization in this area by taking over additional functions.

The top priority is to achieve more cost-effective production within Automotive. Next Mr. Müller will be speaking on the specific steps that have been taken towards this objective.

I would like to thank you, our shareholders, for your attention.