

Grammer AG Annual General Meeting
Amberg, May 28, 2008

Presentation by Hartmut Müller
Executive Board Member

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

Dear shareholders and guests,

I am also pleased to welcome you once again to the Grammer AG Annual General Meeting.

Now that Dr. Kempis has discussed the market and competition situation with regard to our largest division, I have the pleasure of presenting the Seating Systems as the Executive Board member in charge of this division.

Seating Systems was the strong pillar of the Grammer Group, generating over 70% of EBIT despite accounting for only 35% of sales roughly.

Grammer further extended its leading market position in this segment in 2007, posting a 16.6% increase in sales up to EUR 363.3 million (previous year: EUR 311.5 million) Grammer benefited greatly from strong offroad and truck orders. Group bus and train sales were also up.

Our focus on niche products in combination with measures implemented as part of the productivity and quality offensive had a positive impact on the division's earnings. By optimizing plant processes we ensured that the significant increase in sales translated into greater EBIT, which rose 43% to EUR 24.1 million, margin improving to 6.6% (2006 5.4%)

The first quarter of 2008 saw another significant earnings increase. Mr. Ponnath will later be discussing the key figures for Q1 in his presentation.

What has made the Seating division so profitable? Let's look at the market position and strategic alignment of the individual product segments. How is Grammer organized in the offroad segment for example? What are our strengths? And what direction do we want to take going forward?

Grammer is Europe's leader in the offroad segment in terms of market share and technology. Because of our innovative capability, we can successfully operate as a global player with a local presence in all relevant markets. Our excellent brand image and broad customer base provide a strong foundation for future growth in this segment.

Our new development in the field of suspension technology is emblematic of the innovative capability of the Grammer Group. The unprecedented *SeatCab* spring system synthesizes seat and cabin suspension, the two elements now actively communicating with each other via electronic controls. As a single unit, this pioneering development provides for maximum drivers seating comfort.

Seat and cabin suspension no longer operate independently of each other. An intelligent algorithm employed in the shared electronics allows seat and cabins suspension to share the burden of minimizing vibration in an optimized fashion on the basis of frequency and amplitude measurement data. Thus the formerly stand-alone seat and cabin systems are united into a single, perfectly intercoordinated whole, achieving a 20% greater vibration reduction not possible with conventional technology.

We were awarded with the Silver Medal of the German-Agricultural-Organization at last year's Agritechnica trade show in November 2007.

Now let us take a look at truck seats. In South America Grammer is already the market and technology leader. This is a good position to be in due to the increasing importance of countries like Brazil and Argentina as commercial vehicle markets.

Grammer is also a key partner in a host of other countries. Such as Russia for example, a market we recently entered with success.

In China and India our seats likewise enjoy an outstanding brand image, and are increasingly in demand.

Our strategic goal is not only to offer the greatest quality, but also to have a better cost structure than any competitor worldwide. Additionally, we intend to expand our customer base and increase our presence in the growth markets China, India and Russia. This is our strategy for emerging as the absolute leader in international competition.

At the last shareholders' meeting we introduced the Motis prototype, a new truck cab concept. The business model we outlined for this concept involved partnership with truck manufacturers. As the project involved however, market/customer interest crystallized around the end consumer, in sharp contrast to the model originally conceived. Grammer thus decided to discontinue the consortium it was leading and move forward with the project as a seat supplier.

Now we come to the third product segment within the Seating Systems division - Railway.

Railway technology producers acknowledge Grammer's pioneering innovations, sophisticated designs and advanced ergonomics. This was underscored last year by our receiving the coveted Red Dot Award for our new premium passenger seat design. Grammer is well-positioned as a seat provider for high-speed and long-distance trains, an area in which we see ourselves as a true global player.

Going forward the majority of demand in the European market will continue to be seen in the form of project orders. We have significantly altered our cost structures in this segment in order to better accommodate the attendant capacity fluctuations. In parallel we will be restructuring our value chain and redefining our core competencies.

Another objective is to tighten requirements for our suppliers to better conform with demanding customer expectations. This will help us grow Grammer earnings in a sustainable fashion as we move forward.

We intend furthermore to actively pursue opportunities arising from the industry consolidation currently underway, including opportunities for partial acquisitions and joint ventures. Having looked at the markets and strategic alignment of Grammer's divisions, let's move on to the next point. As Dr. Kempis remarked at the beginning of his presentation, an EBIT margin of 3.2% cannot and should not be satisfactory for the Grammer Group. This is why last year we implemented an extensive package of measures geared to achieving a sustained increase in earnings.

If I had to come up with a characteristic slogan for this program I would call it: "Strengthening Grammer for the future."

Our roadmap to success is oriented around three key principles. These form the foundation for our strategic alignment, and are systematically implemented throughout the entire corporation. Let's discuss these three principles.

First is the definition of transparent and simple processes. This includes the internal organization into business units. This results in clear lines of responsibility and allocation of resources - yielding the advantages of knowing

who and what factors are responsible for earnings, along with rapid decision-making focusing directly on customers in the market.

Combining and restructuring our two corporate divisions within the departments Development and Quality affords us greater flexibility while allowing us to bundle our know-how. The GPQ or Grammer Produces Quality program described in detail in the annual report provides systematic support to these efforts, as well as the deliberate and targeted exploitation of synergies. Efficiency enhancement instruments are employed in supplement to this process.

Among the goals pursued in the restructuring of our operations are to achieve uniform industrial engineering structures and methods, as well as greater interaction between Design, Development and Production. In parallel we are implementing a standardized production system to be rolled out at all plants by the end of 2009, moving us forward in the direction of achieving “operational excellence”. This objective is closely bound up with and we are striving for total quality, which it is the second principle.

Our 2008 Quality Offensive will involve far-reaching changes in terms of organization and corporate philosophy, taking the issue of quality up to a new level.

This offensive is based around the core objective of substantially extending our concept of quality. Quality used to be a specialist subject focused around products in the context of specific departments. In our new understanding however, quality extends to processes, including workflows, thus becoming an issue for all employees. In concrete terms this means that production and development employees, for example, hold daily GPQ meetings. Errors and irregularities are then discussed as a group and solutions developed, so as to eliminate the problems identified as quickly as possible.

For Grammer the motto “First time right!” means utilizing process simulation tools to a greater extent in order to potentially avoid errors before they occur, with a deliberate focus on the design phase. This is because 80% of error-related costs stem from mistakes made in this early phase. Zero defects - from the very beginning - that is our motto.

The third principle is avoiding wastefulness in any form. Ladies and gentlemen, by definition, whatever is uneconomical costs time and money! That is why we are energetically behind the new Grammer production system, designed to ensure effective, streamlined processes.

This amounts to strict implementation of the *poka yoke* philosophy, which is the Japanese approach to quality assurance, in which simple technologies are utilized to render errors impossible. The underlying concept is easy to grasp: Individual process steps can only be performed one way - the right way.

The *poka yoke* concept “pick-by-light” works with control system that uses signal lamps which track assembly procedures including parts removal. This makes it impossible to mistake or mix up parts.

Going forward Grammer will be applying *poka yoke* in both divisions, Automotive and Seating Systems.

Ladies and gentlemen,

it is crucial to constantly improve quality. But that alone is not enough. We must do more to become established as a leader internationally. That is why Grammer has outlined a fitness program. This program:

- Reduces materials and overhead costs
- Cuts overhead on a Group level through systematic usage of synergies between the two divisions
- Involves the critical assessment of the viability of locations and their role in the value chain

thus improving our cost structure and enhancing our competitiveness in a decisive manner.

Having reached the first milestones, initial concrete results are now being seen.

Significant progress has been made in shifting production processes to locations with more favorable cost structures. Decisions have been made concerning Wackersdorf and Langenfeld, and implementation has begun. Other examples are the transfer of headrest assembly from the US to Mexico, to be completed in the second half of the year, and the new plant in Serbia, the cost benefits from which are expected to fully materialize in the third quarter of this year. Going forward our locations will be subject to internal competition for the awarding of new orders. A strict global profitability benchmark is applied.

A number of key milestones have been successfully resolved in the area of materials, operational and personnel cost reductions. We will continue to follow our global commodity strategy into next year. To reduce materials costs we rely on a defined, global base of affordable suppliers in low-cost countries. Currently we are also introducing global price benchmarks for better international supplier comparability.

In partnership with our customers and suppliers we are widening the scope of our value analysis processes in order to identify potential cost savings within the product itself. A working committee has been organized on a Group level for this purpose, led by external consultants.

Ladies and gentlemen, as Dr. Kempis outlined in his presentation, 2007 earnings were significantly impacted by ramp-up problems in the NAFTA region. As part of a comprehensive turnaround plan being implemented, over the last two months the first operational improvements have been seen in the supply situation along with the accompanying cost deviations. Redesign of the plant layout has been completed; the changes are set to be implemented in the second half of the year. This will allow greater precision in inventory management, thus eliminating the need for leasing additional warehouse space.

Efforts to trim down the general overhead structure are already in the realization phase, scheduled to be complete by the end of the year. Tasks have been reassigned among the departments Quality, Operations, Procurement and Development to reflect combining of the two divisions and internal processes revised accordingly. This will allow us to realize savings, affording long-term benefits in terms of competitiveness.

Coming to the conclusion of my remarks, I would now like to quantify the projected impact of the measures discussed. After all, the positive effects of this fitness program can be calculated quite concretely.

All in all, our savings will total EUR 40 million – an impressive sum. Of this amount, EUR 25 million represents personnel-related savings, while the other EUR 15 million represents procurement-related savings and process optimizations affecting overhead.

In addition to focusing on innovation and quality, Grammer must regularly analyze cost structures to ensure our ability to succeed in international competition. Only by doing so will we be able to deliver consistent earnings and stay competitive, so as to create long-term value for our shareholders.

I will now turn it over to Mr. Ponnath, who will be reviewing fiscal 2007 and business so far this year.

Thank you very much for your interest.