

# Analyst Conference March 31, 2008



**Well Positioned for Profitable Growth**



### Grammer's Executive Management Board



Name: Dr. Rolf-Dieter Kempis  
Position: CEO  
Age: 54  
With Grammer since: 2007

- Prior to Grammer, partner at McKinsey and member of the Supervisory Board of Grammer since 2005
- Wide range of experience in management, strategy and operational projects in the automobile and automotive supply industry



Name: Alois Ponnath  
Position: CFO  
Age: 50  
With Grammer since: 1991

- Longstanding experience with Grammer
- Managed the IPO and the restructuring process after 1999
- CFO since 2000



Name: Hartmut Müller  
Position: Seating Systems  
Age: 45  
With Grammer since: 2007

- Valeo's General Manager for North and Eastern Europe, Climate Control before joining Grammer
- Over 20 years experience in the automotive sector



**GRAMMER**



## I. Strategy and Group Development

# GRAMMER: Strategic Approach

Milestones implemented in 2007



**GRAMMER**

	Completed	Steady Progress
1 New business unit organization	✓	
2 Market and technology	✓	
3 Focus on profitable growth		✓
4 Increase efficiency and profitability		✓

# GRAMMER: Strategic Approach

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# 1 New Business Unit Organization

## Group Overview



### Grammer Group

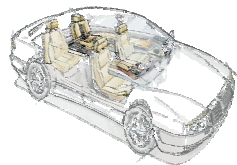
**Automotive**

**30% of EBIT**

**Seating Systems**

**70% of EBIT**

#### Automotive



**Products**

Head- & Armrests  
Centre Console

**Major Customers**



#### Offroad



**Products**

Driver seats for offroad commercial vehicles

**Major Customers**



#### Truck



**Products**

Driver seats for commercial trucks

**Major Customers**



#### Bus



**Products**

Driver seats for busses

**Major Customers**



#### Railway



**Products**

Passenger seats for trains

**Major Customers**



# 1 New Business Unit Organization

## Advantages



		Advantages
<b>New Business Unit Organization</b>	<b>Structures</b>	<ul style="list-style-type: none"><li>▪ Leaner structures</li><li>▪ Clear hierarchies and higher transparency</li><li>▪ Defined sales and P&amp;L responsibility</li></ul>
	<b>Processes &amp; Synergies</b>	<ul style="list-style-type: none"><li>▪ Efficient and fast decision making process</li><li>▪ Integration of central functions Seating &amp; Automotive</li><li>▪ Synergies in R&amp;D, Quality, IE, Purchasing</li></ul>
	<b>Customers &amp; Markets</b>	<ul style="list-style-type: none"><li>▪ Stronger customer and market focus</li><li>▪ Faster response time</li><li>▪ Closer to customer and market</li></ul>

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## 2 Market & Technology

### Market Position



#### Grammer's Market Position - Seating

##### OFFROAD

- Market and technology leader in Europe
- Strong brand name and broad customer base
- Global player with local content in all key markets

##### TRUCK

- Growth in Europe with new seat generation "ECHO"
- Successful market entry in Russia with Kamaz
- Technology & market leader in South America

##### RAILWAY

- Strong reputation in innovation, design & ergonomics
- Only "real" global player
- Market leader in high-speed and long-distance trains

- Leading market position in regional niche markets
- High growth potential in Asian and Russian markets
- Technology leader with highly innovative products
- System supplier in selected markets

#### Grammer's Market Position - Automotive

- Well known for design, quality and competitiveness
- Development partner with all western based OEM's
- Majority of sales generated in premium segment
- R&D centers in USA, Europe and Asia

- Strong market position in premium vehicle segment
- Attractive position in triangle OEM / Tier 1 / Tier 2

**Attractive product portfolio by the leading system supplier...**

**Seating Systems**

**Offroad**



**Maximo Evolution active**

**Truck**



**Kingman**

**Railway**



**Premium Seat**



**Primo XL**



**MSG 90.6**



**ICE 3000 AVE Club**

**Automotive**

**Headrests**



**Crash Active Headrest (CAK)**



**Comfort Headrest**

**Armrest & Centre Consoles**



**Armrest**



**Centre Console**

**...providing innovation, safety, design and comfort.**

**Offroad**

- Seatcab: Integration of seat & cabin suspension
- Growth in high margin service and aftermarket business: New contract with US distribution network
- Leading supplier to all major material handling and agricultural OEM's
- New orders from Bobcat (USA) and major construction equipment OEM's in Asia.

**Truck & Railway**

- New contract in 2008 to supply driver seats to the biggest Russian truck producer KAMAZ
- New seat generation "ECHO" targeted for various model changes 2009/2011 in Europe
- Design Award for new premium railway passenger seat. Engineered products to meet customer specs

**Automotive**

- Several new or follow-up orders in premium segment
- Acquisition of new business with our crash-active-headrest
- Increased center console business

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### 3 Focus on Profitable Growth

Key success drivers



Innovation, customer and operational excellence are the centre of management actions

Products	Operations	Customers	Footprint
<p><b>Innovative and competitive products</b></p> <ul style="list-style-type: none"> <li>Technology</li> <li>System Supplier</li> <li>Design</li> <li>Quality</li> </ul>	<p><b>Improve costs and competitiveness</b></p> <ul style="list-style-type: none"> <li>Grammer's fitness program</li> <li>GPS Grammer Production System</li> <li>GPQ Grammer Produces Quality</li> </ul>	<p><b>Offer customer Best-Cost-Product</b></p> <ul style="list-style-type: none"> <li>Price</li> <li>Design</li> <li>Quality</li> <li>Logistics</li> </ul>	<p><b>Increase global footprint</b></p> <ul style="list-style-type: none"> <li>India</li> <li>Russia</li> <li>China</li> <li>Mexico</li> </ul>

Contribution margins

Operational excellence

Customer diversification

Globalization

**Profitable Growth**

# GRAMMER: Strategic Approach

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## 4 Increase efficiency and profitability

Grammer's fitness program - *Plants*



### Our program boosts productivity and efficiency in all plants world-wide...

	Description	To Do's	Status	Target
Plant Optimization	<ul style="list-style-type: none"> <li>Efficiency and productivity increase in all plants</li> </ul>	<ul style="list-style-type: none"> <li>Lean production transformation in 2 pilot plants with extern. support</li> </ul>	100%	✓
	<ul style="list-style-type: none"> <li>Footprint optimization</li> </ul>	<ul style="list-style-type: none"> <li>Lean concept global rollout</li> </ul>	25%	Q4 09
	<ul style="list-style-type: none"> <li>Process and value chain optimization</li> </ul>	<ul style="list-style-type: none"> <li>Location decisions Gramtex, Wackersdorf, Langenfeld</li> </ul>	100%	✓
	<ul style="list-style-type: none"> <li>Process orientated re-locations</li> </ul>	<ul style="list-style-type: none"> <li>Set-up low-cost location in Serbia (cut &amp; sew)</li> </ul>	75%	Q3 08
	<ul style="list-style-type: none"> <li>Global plant cost benchmarks</li> </ul>	<ul style="list-style-type: none"> <li>Relocation headrests from Greenville (USA) to Mexico</li> </ul>	100%	✓
		<ul style="list-style-type: none"> <li>Relocation driver seats to China</li> </ul>	50%	Q3 08
		<ul style="list-style-type: none"> <li>Relocation driver seats from Turkey to Eastern-Germany</li> </ul>	25%	Q4 09

## 4 Increase efficiency and profitability

Grammer's fitness program – *Purchasing & Processes*



### ...reduces material and overhead costs...

	Description	To Do's	Status	Target
Purchasing & Supply Chain Management	<ul style="list-style-type: none"> <li>Reduction of material costs</li> </ul>	<ul style="list-style-type: none"> <li>Global commodity strategy with defined supplier base and focus on low cost sources</li> </ul>	50%	Q4 09
	<ul style="list-style-type: none"> <li>Optimization of supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Global price benchmarks</li> </ul>	75%	Q2 08
	<ul style="list-style-type: none"> <li>Supplier development and supplier reduction</li> </ul>	<ul style="list-style-type: none"> <li>Implementation LPP</li> </ul>	100%	✓
	<ul style="list-style-type: none"> <li>Purchase Price Controlling</li> </ul>	<ul style="list-style-type: none"> <li>Program Top 150 vendors</li> </ul>	75%	Q2 08
	<ul style="list-style-type: none"> <li>Risk management raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced VA/VE program</li> </ul>	50%	Q2 08
Processes & SG&A Costs	<ul style="list-style-type: none"> <li>Improve launch and project management</li> </ul>	<ul style="list-style-type: none"> <li>"Get-well-plan" NAFTA</li> </ul>	25%	Q3 08
	<ul style="list-style-type: none"> <li>Reduction SG&amp;A expenses</li> </ul>	<ul style="list-style-type: none"> <li>Quotation and project acquisition process</li> </ul>	100%	✓
		<ul style="list-style-type: none"> <li>Close Budget monitoring</li> </ul>	ongoing	✓



## 4 Increase efficiency and profitability

Grammer's fitness program – *Summary*



**GRAMMER**

...and therefore improves our cost structure and competitiveness significantly.

### Target Headcount Reduction

Plant  
Optimization

- 400 direct HC international
- 92 direct HC Germany

Streamline  
Organization

- 138 indirect HC international
- 150 indirect HC Germany

Total  
Headcount  
Savings

- 492 Direct Employees
- 288 Indirect Employees
- **780 Total HC Reduction**

### Target Cost Reduction (Full Year View)

Total  
Headcount  
Reduction

- 25 EUR m.

Purchasing  
& Processes

- 10 EUR m.
- 5 EUR m.

Total  
Cost Savings

- **40 EUR m.**



## **GRAMMER: Well Positioned for Profitable Growth**





## II. Key Financials

# GRAMMER: Key Financials 2007

## Highlights (1)



### Income Statement

<i>in EUR m.</i>	2007	2006	Change in %
Revenue	998.1	881.0	13.3%
EBITDA	55.6	62.6	-11.2%
EBITDA Margin	5.6%	7.1%	-1.5%-points
EBIT	32.1	38.9	-17.4%
EBIT Margin	3.2%	4.4%	-1.2%-points
Net Profit	17.6	21.3	-17.6%
EPS [in EUR]	1.72	2.09	-17.7%

### Balance Sheet

<i>in EUR m.</i>	2007	2006	Change in %
Balance Sheet Total	497.5	476.6	4.4%
Equity	184.7	174.8	5.7%
Equity Ratio	37.1%	36.7%	0.4%-points
Net Debt	69.9	57.9	20.8%
Gearing	37.9%	33.1%	4.7%-points

# GRAMMER: Key Financials 2007

## Highlights (2)



### Key Figures

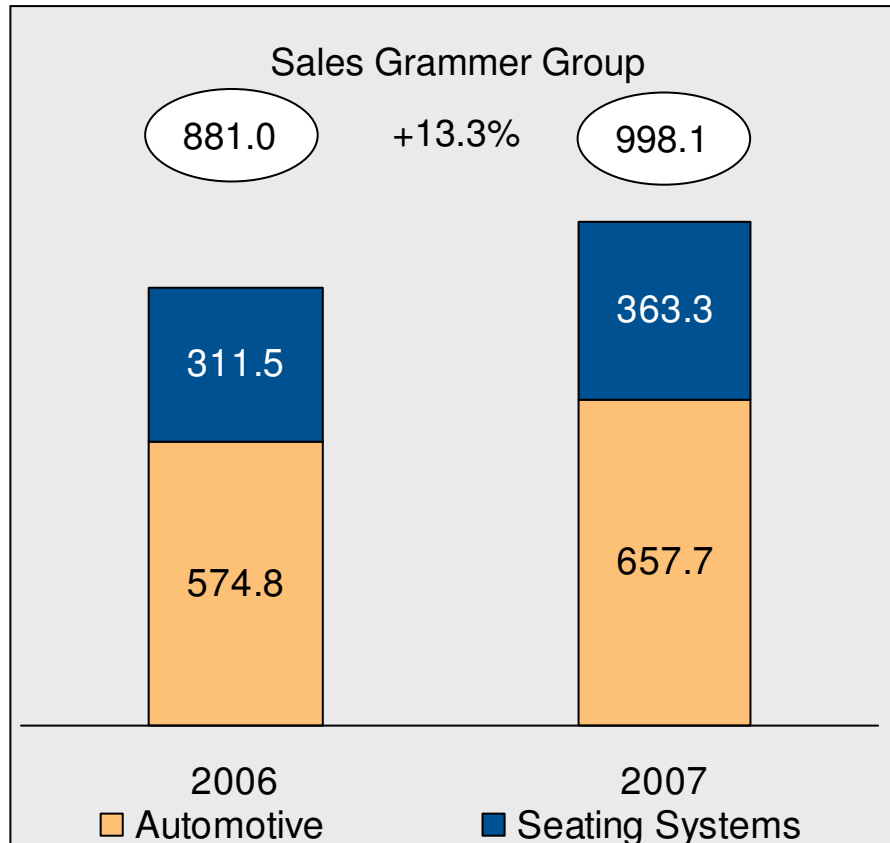
	2007	2006	Change in %
ROCE in %	8.2%	9.1%	-0.9%-points
Operative Cash-Flow	38.5	29.7	29.6%
Free Cash-Flow	-2.0	-2.3	---
Capex	34.6	32.1	8.0%
Depreciation	23.5	23.7	-0.9%
Employees (Yearly ave.)	9,326	8,610	8.3%
Employees (Yearend)	9,527	8,925	6.7%

# GRAMMER: Key Financials 2007

## Segment Reporting - Sales



### Sales by Division [EUR m.]



### Key Sales Development 2006 - 2007

#### AUTOMOTIVE

- +
  - Strong demand in export and premium segments
  - BMW USA (new X5 and 5-series)
  - Daimler C-Class
  - FAW-China (Passat -Transfer from Germany)
- - Audi A4 phase-out
  - Weak US-Dollar

#### SEATING SYSTEMS

- +
  - Strong orders in offroad and truck segment
  - Truck Brazil (VW)
  - Railway Europe (Bombardier)
- - Weak truck market in the US due to new emissions regulations
  - Lower revenue due to sale of bus passenger seats Europe

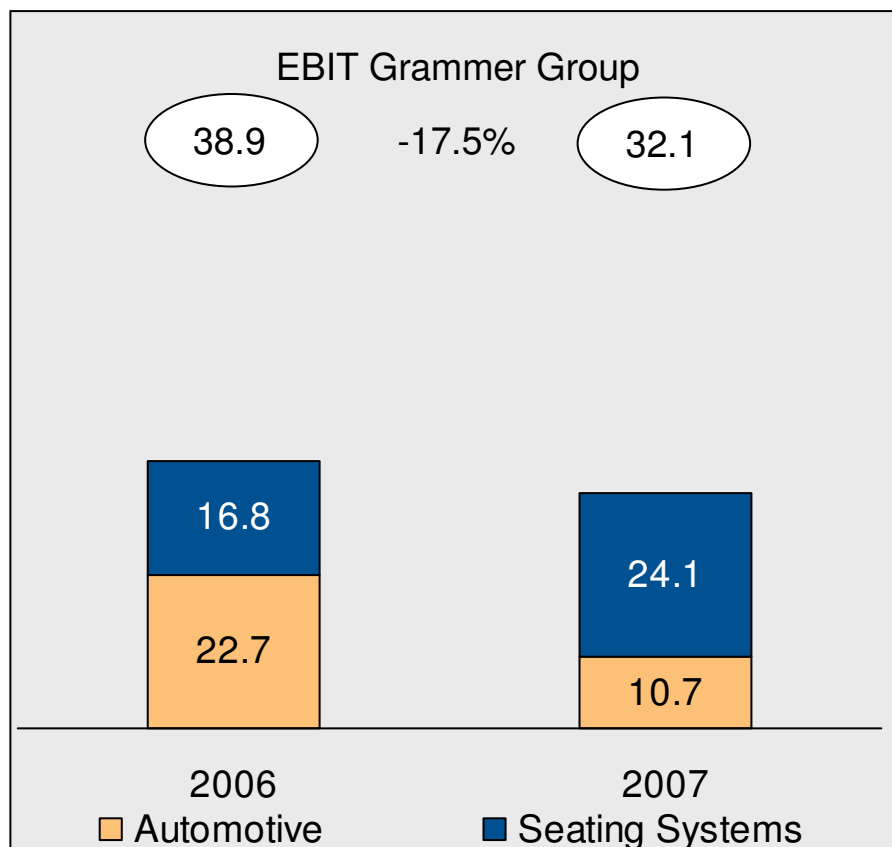
Notes: 3rd party sales Grammer Group = Total sales automotive + seating systems less consolidation of internal sales  
 EBIT Grammer Group = EBIT divisions less operational result overhead functions

# GRAMMER: Key Financials 2007

## Segment Reporting - EBIT



### EBIT by Division [EUR m.]



### Key EBIT Development 2006 to 2007

EBIT Margin in % of sales		
2006		2007
4.4%	Group	3.2%
5.4%	Seating	6.6%
3.9%	Automotive	1.6%

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**Grammer Group**

- + Positive volume and mix impacts from higher sales of seating systems segment
- Margin improvement seating systems
- Higher raw material costs
- Weak US-Dollar
- Labour and infrastructure cost increases of Eastern European locations
- Non-recurring expenses
- Start-up costs USA

Notes: 3rd party sales Grammer Group = Total sales automotive + seating systems less consolidation of internal sales  
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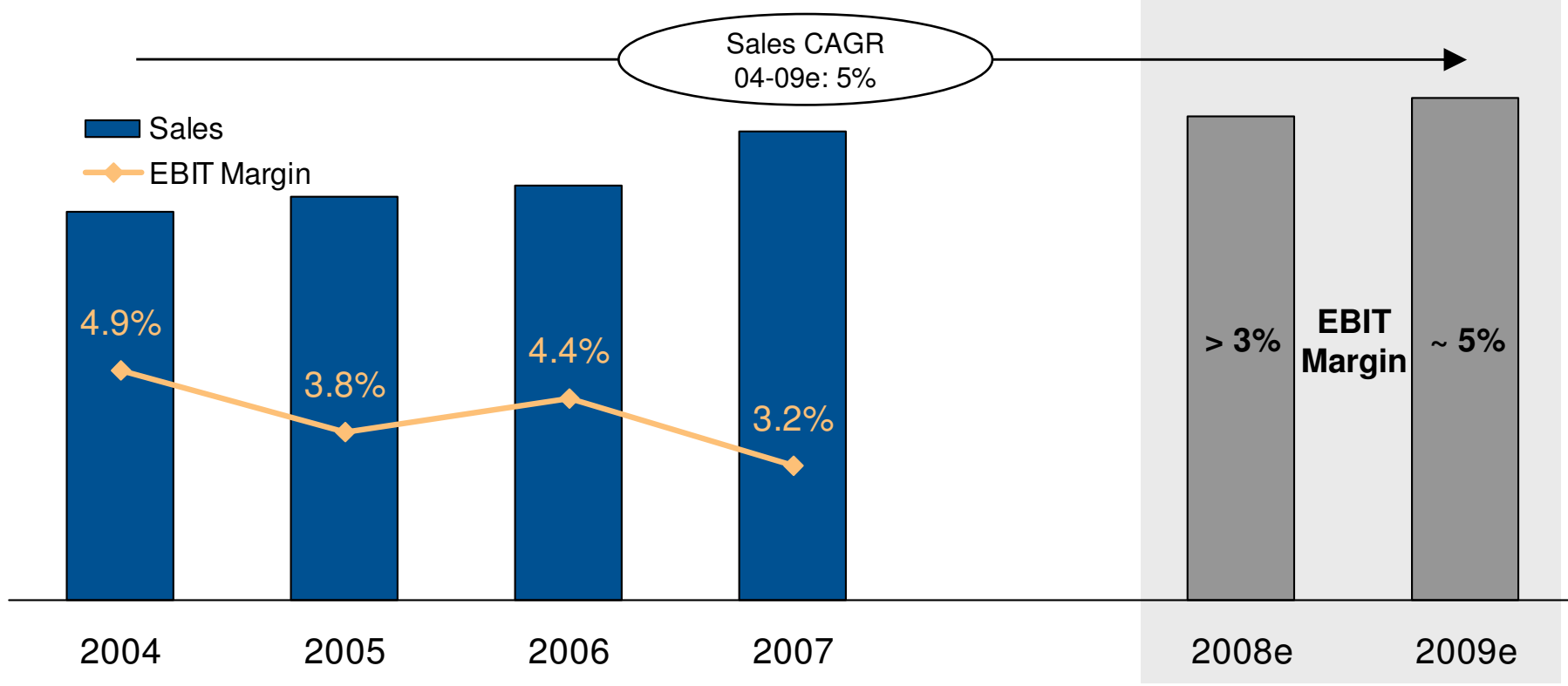
# GRAMMER: Well Positioned for Profitable Growth

Sales and EBIT-Margin Development 2004 – 2009e



**Strong sales development with an average growth of +5% per year**

Grammer Sales in EUR m.				Guidance 2008 / 2009	
825	859	881	998	1,030	Sales 1,070







**GRAMMER**

## **Contact**

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