Grammer 07
January until March

THE FIRST QUARTER OF 2007

Q1

GRAMMER

Key Figures for the Group

	Mar. 31, 2007	Mar. 31, 2006
	EUR million	EUR million
Revenue	237.7	222.6
Automotive	150.8	144.2
Driver Seats	75.3	69.5
Passenger Seats	13.1	10.2
Gross profit	41.2	38.9
Profit from operations (EBIT)	10.1	12.5
Profit before income taxes	7.6	10.7
Net income after income taxes	3.6	6.0
Earnings per share in EUR (without Treasury shares)	0.36	0.57
Number of employees (Mar. 31, 2007)	9,129	8,336
Total assets	499.1	448.2
Equity ratio in %	35.8	40.1
Gearing ratio	44.7	27.3
Investments	6.7	5.1

Key Figures for Grammer Stock

	Mar. 31, 2007	Mar. 31, 2006
Share price (XETRA closing price in EUR)	23.20	20.35
Number of shares	10,495,159	10,495,159
Number of treasury shares held	330,050	
Market capitalization (in EUR million)	243.5	213.6
52-week high/low (daily high/low in EUR)	26.49/17.80	29.30/16.00
German Securities Code Number (WKN): 589540		
ISIN: DE 0005895403		

Contents

About Grammer

Grammer AG, Amberg, Germany, is a specialist in the development and production of components and systems for automobile interiors as well as driver and passenger seats for offroad vehicles, trucks, buses and trains.

The Group's key division, Automotive, supplies headrests, armrests and center consoles as well as integrated child's seats to well-known automakers and vehicle systems suppliers. The Group's second division, Seating Systems, comprises the Driver Seats and Passenger Seats segments. In the Driver Seats segment, Grammer operates as an OEM and aftermarket supplier for prominent truck and offroad producers. The Passenger Seats segment supplies original equipment manufacturers as well as bus and train operators.

Grammer is represented in 17 countries worldwide with over 9,000 employees in 21 subsidiaries. Grammer shares are listed in the SDAX segment of the German Stock Exchange and are traded on the Munich and Frankfurt stock exchanges, the XETRA electronic trading platform, and on the OTC markets of the Stuttgart, Berlin and Hamburg stock exchanges.

Grammer stock corrects in a strongly volatile market environment

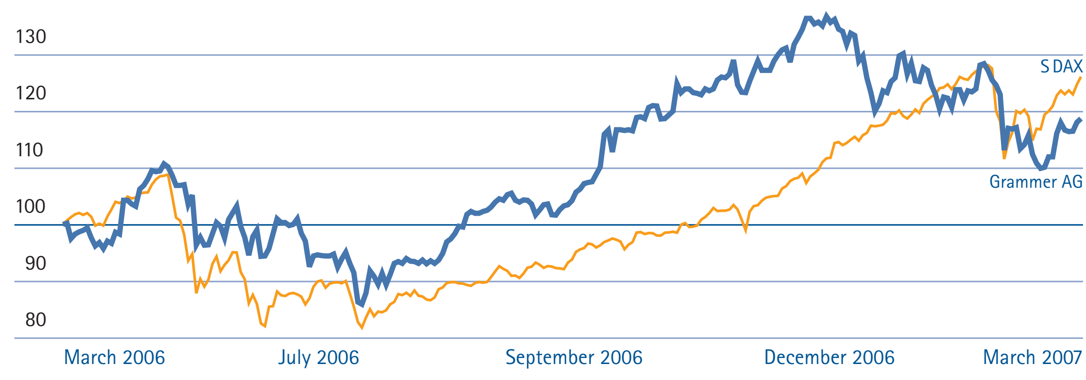
After a considerable price upturn over the last few months, and a 17-month high, profit taking in the first quarter of 2007 leading to the price of the Grammer stock being corrected.

Stock market environment and Grammer stock performance

Underpinned by a good global economy, equity markets started into the new year at a high level. At the end of February, Asian influence curbed the upward trend. Despite the downward move, our comparative index, the S DAX, closed the first quarter at 6,116.8, 9.9% above the closing level at the end of 2006. In comparison to the end of the equivalent quarter in the previous year, it moved up by 19.6%.

The Grammer stock reached its highest point so far shortly before the end of 2006 and closed the stock exchange year at EUR 25.79. Immediately to the start of 2007, profit-taking set in, pushing the stock to an intra-day low of EUR 21.70 in the variable XETRA trading. To the end of the quarter, the stock again recovered. It closed at EUR 23.20, 10.0% down on the closing price at the end of 2006. In comparison to the closing price in the first quarter of 2006 of EUR 20.35, the Grammer stock moved up by 14.0%.

Performance in comparison to the S DAX, indexed



Dividend remains attractive

In the Supervisory Board meeting on March 29, the Supervisory Board moved in line with the proposal of the Board of Management to propose the Annual General Meeting on June 28, 2007 a dividend of EUR 1 per share. On the basis of the closing price for 2006, this represents a dividend yield of 3.88%. Grammer AG is thus quite deliberately taking a positioning as a listed company with a strong dividend.

Strong earnings figures published for 2006

On February 21, Grammer published provisional figures on the 2006 fiscal year. These were confirmed at the Annual Press Conference and Analysts Conference on March 30: Sales, EBIT and earnings per share increased considerably in 2006 against the previous year.

Active Investor Relations to increase attention on the capital market

In this quarter, the close contact and regular exchange with investors and analysts was fostered. In numerous one-to-one meetings and in conferences we commented Grammer AG corporate development to analysts, institutional investors and journalists.

In addition to the banks which are currently covering Grammer, further broker companies have announced that will be taking up coverage over the next few months. As a result, we expect increased awareness for our stock.

Stock buy-back program still suspended

With Grammer exceeding the 3% threshold for treasury shares in the fourth quarter of the last fiscal year, the share buy back program remains suspended in the first quarter.

According to the last mandatory notifications, our largest shareholders remain EQMC with over 10% and Axxion with 5.6%. Thus the free float is approximately 84%.

Sales Upturn in the First Quarter

In the first quarter, the Grammer Group increased sales in all its three segments – Automotive, Driver Seats and Passenger Seats. At Group level, sales improved by 6.8% to EUR 237.7 million (PY: EUR 222.6 million). Groups profits at EUR 10.1 million (PY: EUR 12.5 million) were somewhat under the strong level of the equivalent period of the previous year.

Sales and earnings

Upswing in the global economy

After a moderate cooling off of the global economic climate at the end of 2006, the global economy rose strongly again in the first months of 2007. The economies in the Eurozone and in Asia posted robust growth. China in particular continued to benefit from dynamic production growth. On the other hand, the upswing in the USA was more moderate. What happened internationally also fuelled the German economy. As expected the increase in sales tax and rising interest rate reined in the growth momentum for a short period, but in March the effects from the tax increase had been largely compensated. Particularly positive in the first quarter was high export rates, which formed a counterweight to the negative impact of the sales tax increase. Current economic indicators are pointing to a continuation of the economic upturn in Germany. Here domestic demand will gain in importance.

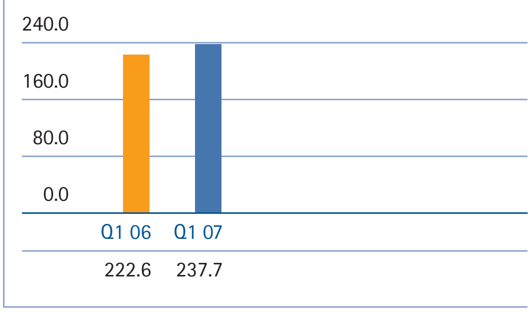
Group sales again increased

In this economic environment, Grammer increased Group sales in the first quarter of the year to EUR 237.7 million (PY: EUR 222.6 million). Compared with the comparative quarter of the previous year, this represents an increase of EUR 15.1 million or 6.8%. A major contribution here was made by sales in Europe which advanced by 5.9% to EUR 184.5 million (PY: EUR 174.3 million). In the Asia region, a dynamic business trend resulting in sales more than doubling to EUR 27.2 million (PY: EUR 12.1 million). The key factor here was the scheduled localization and expansion of production in our Chinese production facilities in Changchun and Tianjin. In the first quarter, due to extensive production switches in the automotive area and a weak US dollar, overseas sales were down year-on-year to EUR 25.9 million (PY: EUR 36.2 million).

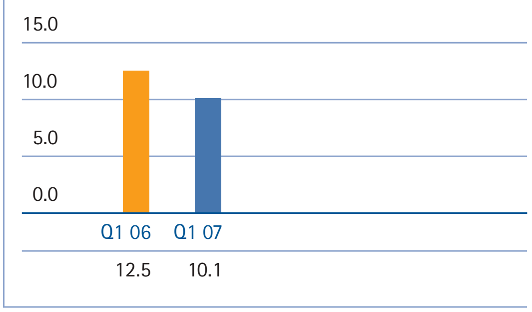
Group earnings impacted by ramp-ups

Group earnings before interest and taxes (EBIT) was impacted by several production phase-outs and ramp-ups in the Automotive area. Due to the breadth of the product range affected, this was difficult, and was also negatively impacted by the weak US dollar. For this reason EBIT at EUR 10.1 million (PY: EUR 12.5 million) did not quite reach the figure of the extraordinarily successful previous-year period.

Group sales by quarter
in EUR million



Group EBIT by quarter
in EUR million



Automotive segment

European passenger car marked impacted by sales tax increase in Germany

According to the Association of the German Automotive Industry (VDA), new car registrations in West Europe declined by roughly 1% to 1.72 million in the first quarter. The main reason was the considerable decline on the German market, by 10% to 0.7 million cars as a result of the weak buying interest of private customers. Without the German results which were negatively impacted by the sales tax effect, West Europe achieved a slight plus, favored by the increases in Italy and Great Britain. In comparison to the trend in West Europe, the markets of the new EU countries in East Europe showed themselves to be in good shape, posting a 14% upturn for new car registrations. On the American car market, vehicle sales continued to decline in the reporting period. This impacted not only new car registrations, but also light trucks. In China, new car registrations posted high growth rates in the first quarter. Thus this market remains a mainstay of sales.

On the manufacturer side, in Germany it was primarily Toyota (+ 4.7%), the Fiat Group (+ 6.2%) and Audi (+ 4.5%) which achieved good growth rates. The American manufacturers General Motors and Ford gained 0.8% and 2.4% respectively. On the other hand, the German carmakers BMW (– 5.6%), Mercedes-Benz (– 2.5%) and VW (– 1.8%) were impacted by the weakness of the German market. At BMW, model changes negatively impacted unit sales.

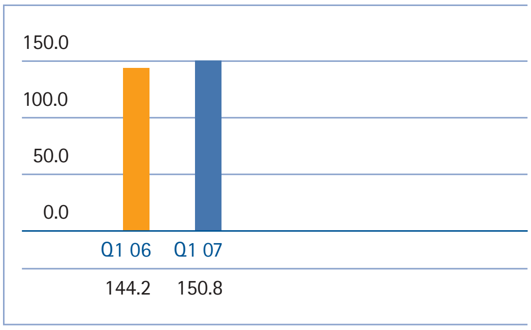
There was a pleasing development for German exports. According to the VDA, exports of 1.16 million passenger cars surpassed by 12% the already high result of the equivalent quarter in the previous year. With this record, the declines in Germany caused by hike in sales tax were more than compensated for. Carried by the strong export business, production of German manufacturers increased by 7% to 1.53 million units in the first three months, thus reaching a new record.

Model changes key factor in the automotive business

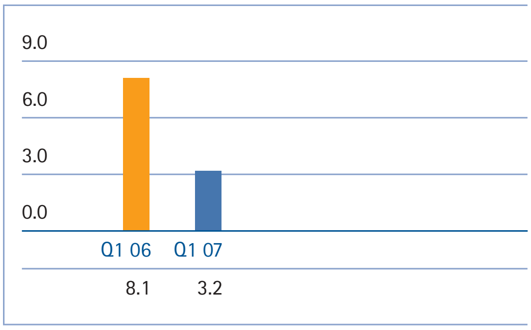
In the first quarter of 2007, business in our Automotive segment was impacted by purchasing restraint in Germany due to the sales tax increase and various phase-outs and ramp-ups of volume models. This related primarily to the new Mercedes-Benz C-Class, which Grammer equipped with crash-active headrests, as well as the facelifted 5 Series BMW, for which we provide headrests, armrests, door armrests as well as cover and mounting for the center console. However, the decline of the premium models in the first months was a considerable strain, something which deviated for the good export-driven environment. A key factor was also the ramp-up of the BMW X5, a volume model important for Grammer.

Even in this context, due to growth in Asia, we increased segment sales to EUR 150.8 million (PY: EUR 144.2 million). This represents year-on-year growth of EUR 6.6 million. On the other hand, due to weakness in the premium sector and the full ramp-ups in the key product families, EBIT declined to EUR 3.2 million (PY: EUR 8.1 million). Overall, the challenges posted by digitalized ramp-ups and production shifts, with the resulting weaknesses in supplier operations, were greater than expected.

Automotive sales by quarter
in EUR million



Automotive EBIT by quarter
in EUR million



Driver Seats segment

Markets growing strongly

In the first quarter, the commercial vehicle business lost none of the strong momentum it has displayed in past months. In the January to March period, new truck registrations at 77,800, were 9% up on the strong previous-year level. The industry thus posted the strongest quarterly figures for 15 years. Both light trucks and vans to 6 tons (+8%) and vehicles over 6 tons (+9%) made a decisive contribution to the good result. This trend was underpinned by the increasing robust economic upswing and the good capital goods business in Germany. The German truck industry also posted records for exports. Overall, truck production rose strongly, by 12% to 119,600 vehicles.

The market for agricultural and forestry tractors was also up. In the January to March 2007 period, price-adjusted new orders and sales increased by 28% and 9% respectively. The good order situation for construction vehicles also continued with incoming orders up 53%. Here sales surged by 49%. For forklifts in incoming orders improved by 20% and sales by 13% in the reporting period.

Business remains at a high level

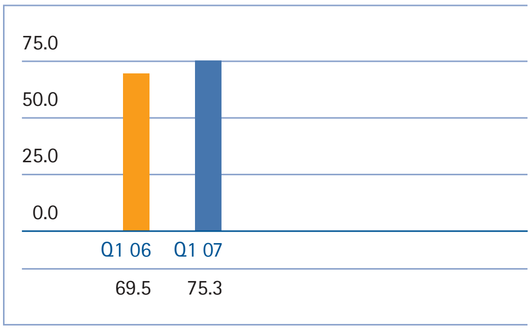
In the first quarter, the trend in the Driver Seats segment was extraordinarily positive. Grammer benefited not only from good orders in the offroad area, but also from the truck market where momentum was retained.

In the reporting period, we optimized facilities in our German Haselmühl plant as well as in Hudson (USA). The targets in Haselmühl are setting up and testing a thermic distributor line concept to reduce energy consumption and to achieve sustained modernization of the metals chain. In Hudson we want to extend our plant in stages to become an independent development, sales and production center for supplying the American offroad market, thus vigorously pursuing our strategy of independently developing the American market.

The good business trend in the Driver Seat segment is reflected in segment sales which we improved by 8.3 % to EUR 75.3 million (PY: EUR 69.5 million). This upturn results primarily from the growth push in Europe and Asia. EBIT was EUR 7.8 million (PY: EUR 5.7 million), a strong improvement of 36.8 %.

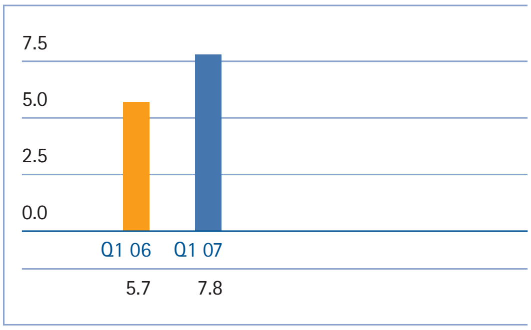
Driver Seats sales by quarter

in EUR million



Driver Seats EBIT by quarter

in EUR million



Passenger Seats segment

Market environment improved

In the first quarter, the European bus market remained in reverse overall. EU new registration figures declined by 4.7 %, primarily driven by strong downturns in the important volume markets of Great Britain (– 31 %) and Italy (– 29 %). In Germany, according to the Federal Motor Transport Authority, 1,340 new buses were registered in the first quarter, up 9.7 % on the equivalent period in the previous year. That the market for new vehicles remains difficult is shown by the strong increase in the changed registrations for used buses (+ 19 %). In the rail sector, German companies benefited from higher international orders and Deutsche Bahn investments in new local trains.

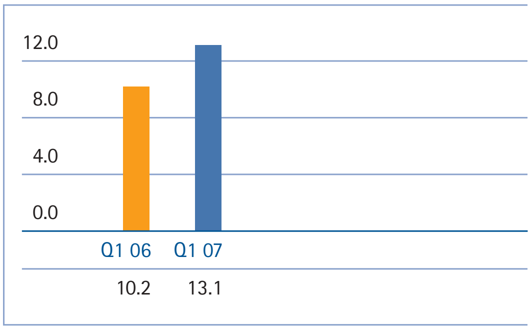
Tailwind for Passenger Seats provided by new projects

Our Rail business unit expanded business both in Germany and on an international basis. We had product ramp-ups for Deutsche Bahn AG double-decker cars and for the reference Transrapid vehicle which is to be used for the planned airport connection in Munich. In addition, we acquired an order to supply the new metro system in Dubai. Another new project comes from the Spanish train manufacturer, CAF, which is to equip the long-distance trains of the Turkish State Railway with seats for first class.

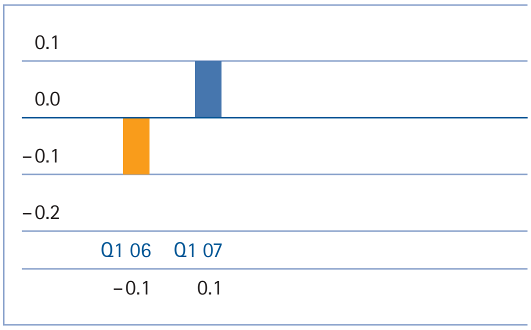
In the Bus unit, we also benefited from a product ramp-up. After a restrained start into the new year, the bus business developed positively, against the general industry trend.

Thanks to successful business in the Rail unit, the smallest segment in the Grammer Group pushed sales considerably, by 28.4% to EUR 13.1 million (PY: EUR 10.2 million). EBIT totaled EUR 0.1 million (PY: EUR –0.1 million). Thus the Passenger Seats segment again moved into profitability.

Passenger Seats sales by quarter
in EUR million



Passenger Seats EBIT by quarter
in EUR million



Financial situation

Total assets considerably higher

As of March 31, 2007, total assets in the Grammer Group reached EUR 499.1 million (PY: EUR 448.2 million), a year-on-year increase of EUR 50.9 million or 11.4% and up 4.7% against the December 31, 2006 reporting date. Due to the business trend, current assets rose strongly, by EUR 44.9 million to EUR 304.1 million. This was driven by two key factors: higher trade accounts receivable resulting from higher sales and assets triggered by an increased level of contracted development activities, also in the previous year. Non-current assets also posted a plus. They increased by EUR 6.0 million to EUR 195.0 million (PY: 189.0). Key factors here were the increase in intangible assets which had already occurred to the end of the year and investments in property, plant and equipment.

At Grammer AG, equity at EUR 178.7 million (PY: 179.6) was almost at the level of the previous year, due largely to buying back own shares in 2006. As a result of much higher total assets, the equity ratio declined to 35.8% (PY: 40.1%).

Current liabilities declined by EUR 18.8 million to EUR 176.8 million (PY: 195.6). This was impacted by the repayment of a EUR 42.0 million bond still outstanding in the equivalent period of the previous year. On the other hand, expanded business activity resulted in a rise in current liabilities to banks (EUR + 10.4 million) and trade accounts payables (EUR + 12.2 million).

Non-current liabilities totaled EUR 143.6 million, up EUR 70.6 million on the figure of the reporting date in the equivalent period of the last year. This was due to the promissory note loan for EUR 70 million placed in the second half of 2006. As a result, non-current liabilities to banks, due to the rescheduling, increased by EUR 66.7 million to EUR 72.2 million.

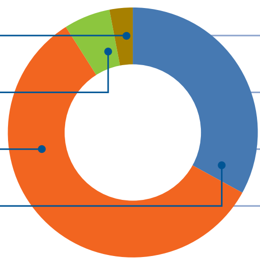
Capital expenditure advanced further

In the first quarter, capital expenditure in the Grammer Group climbed year-on-year by 31.4% to EUR 6.7 million (PY: EUR 5.1 million). The volume rose particularly strongly in the Driver Seat segment. Here capital expenditure rose by EUR 2.2 million to EUR 3.9 million. The key factor here was establishing our new metals process chain at the Haselmühl location. The core of the facility is a modern press room which allows considerably higher production volume than previously, thus improving production efficiency. In the Automotive segment, capital expenditure totaled EUR 2.2 million (PY: EUR 3.3 million), partly the result of extending our production capacity in Poland. In the reporting quarter, the Passenger Seats segment invested EUR 0.4 million, Central Services EUR 0.2 million.

Headcount by segment, January to March 2007

in percent, in EUR million

Central Services	3	0.2
Passenger Seats	6	0.4
Driver Seats	58	3.9
Automotive	33	2.2
	100	6.7



Human resources

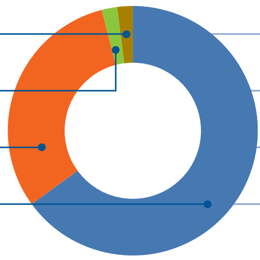
Considerably more employees worldwide

To the end of the first quarter of 2007, the Grammer Group had a total of 9,129 employees (PY: 8,336). This is 793 or 9.5% more than one year ago. We increased the number of employees particularly strongly in the Automotive segment – by 665 to 5,928. Reasons for the required additional human resources capacity were numerous production conversions due to start-ups. This enabled the smooth production transition for successor models required by the OEMs. The number of employees in the Driver Seats segment also increased. Now it employs 2,828 staff (PY: 2,703). The increase of 125 reflects high order figures in the Truck unit. There was virtually no change in the number of employees in the Passenger Seats segment (223) and at Central Services (150).

Employees by segment, January to March 2007

in percent, total number

Central Services	2	150
Passenger Seats	2	223
Driver Seats	31	2,828
Automotive	65	5,928
	100	9,129



Change in the Board of Management

Effective from February 1, 2007, the Supervisory Board appointed Hartmut Müller as member of the Grammer AG Board of Management. He succeeds Peter Nagel who is leaving the Board of Management at his own request on June 30, 2007 after 24 years with the company. Previously Hartmut Müller worked as General Manager North and Eastern Europe, Climate Control, for the French Valeo Group. He assumes full responsibility for the Seating Systems segment on July 1, 2007.

Outlook for the whole year

Economic in Germany expanding

Leading economic institutes continue to assess the global economic trend for the whole year positively. A slight decline in US growth will be countered by increases in Asia – particularly a strong upturn in the Chinese economy. For Germany, the German Council of Economic Advisors made a strong upward correction to their forecast in April. For 2007, they now expect a 2.4% increase in economic performance.

Automotive: Restraint on volume markets

Overall global automobile markets are likely to increase, even if experts consider that growth momentum will be somewhat under that of the previous year. In the USA, a weakened market environment is anticipated. New registration figures in West Europe are expected to be at the level of 2006. For Germany, the VDA slightly reduced its forecast to 3.3 million new registrations. According to the Association, over the whole year it will not be possible to compensate completely the lower sales resulting from the increase in sales tax.

Despite mixed expectations from the markets, Grammer is expecting a positive trend in the largest company segment, Automotive. This is likely to be carried primarily by strong exports and by our commitment in the stable premium segment. The new Mercedes-Benz C-Class generation could generate impulses. According to the manufacturer, at the end of March when sales began, there were already 80,000 advance orders. The market launch of the new BMW X5 series also appears promising. The market is displaying great interest here. The introduction of our crash-active headrests in certain BMW models is resulting in positive impulses. Overall, we expect that whole-year sales in the Automotive segment will develop positively. At EBIT level Grammer expects a stable development in comparison to the previous year, due to product start-ups and non-recurring additional charges due to production shifts.

Driver Seats: Expected continuation of the previous year trend with robust industry development

The first months in 2007 have show that the truck industry is maintaining high production volume, despite certain forecasts to the contrary. In the context of considerable domestic economic growth, this is likely to continue to the end of the year. For the offroad area which includes the forklift, agricultural and construction machine units, the market situation is also positive. For example, the Federal Association of Construction and Industrial Machine Manufacturers forecasts that growth in the area of construction machines should exceed 6%.

On a whole-year basis, the order situation for trucks seems is very promising. For agricultural machinery restrained unit sales are expected – in the run-up to the key agricultural fair Agritechnica – which however are likely to be offset towards the end of the year. Overall, for 2007 we are expecting a sustained and good performance from the Driver Seat segment.

Passenger Seats: Positive EBIT targeted in 2007

According to the Rail Industry Association (VDB), there is a slight domestic demand upturn in the rail sector. On the other hand, there is little sign of revival on the bus market.

In the Grammer Passenger Seats segment, the order situation is mixed. In the Rail unit, incoming orders for 2007 are already very pleasing. The trend at the Bus unit is upward, but at a low level. For the whole year, the advance services provided for numerous projects will positively impact the segment results. In our forecasts, we assume that the smallest group segment will increase segment sales and will confirm its return to profitability.

Group: Higher sales and earnings

On the basis of the pleasing sales trend in the first quarter, we continue to expect that 2007 Group sales will be higher than those of the previous year. The same also applies to Group profits. Even though EBIT did not quite reach the extremely good level of the previous year in the reporting quarter, on a whole-year basis, it is likely to be above the figure for 2006.

Negative factors could be the high wage agreements which have just been concluded and unfavorable exchange rate movements, especially for the US dollar. Another important factor is the prices for raw materials. Higher prices for steel and oil-based products such as plastics and foams would be negative for the Group result. One of the ways we are countering this challenge is by achieving material savings though reducing components and a high level of modularization.

In order to strengthen the corporate development of the Grammer Group on a sustained basis, we are pushing our international expansion. The objective is to generate stronger growth at an international level. Examples here are expanding the offroad business in the USA and intensified activities in Asia. Parallel to this we are continuing our program to enhance efficiency.

Amberg, May 2007

Grammer AG
The Board of Management

Income Statement *for the period from January 1, 2007 to March 31, 2007*

	Jan. 1 – Mar. 31, 2007	Jan. 1 – Mar. 31, 2006
	EUR '000s	EUR '000s
Revenue	237,670	222,598
Cost of sales	196,515	183,748
Gross profit	**41,156**	**38,850**
Selling expenses	9,752	9,554
Administrative expenses	22,793	18,114
Other operating income	1,462	1,289
Profit from operations	**10,072**	**12,471**
Net finance costs	– 2,507	– 1,777
Profit before income taxes	**7,565**	**10,694**
Income tax expense	3,943	4,686
Net income	**3,622**	**6,008**
Minority interests	12	25
Net income attributable to the shareholders of the parent	**3,610**	**5,983**

Balance Sheet *as of March 31, 2007*

Assets	Mar. 31, 2007	Mar. 31, 2006
	EUR '000s	EUR '000s
Non-current assets		
Intangible assets	43,046	39,350
Property, plant and equipment	131,157	129,193
Shares in affiliates	488	496
Non-current financial assets	5,108	5,956
Deferred tax assets	15,231	14,035
	195,030	**189,030**
Current assets		
Inventories	90,532	82,133
Trade accounts receivable	139,516	125,955
Other receivables and assets	57,666	39,420
Property, plant and equipment held for sale		
Current financial assets	753	165
Income tax assets	91	221
Cash and cash equivalents	15,515	11,267
	304,072	**259,161**
Total assets	**499,102**	**448,191**

Equity and liabilities	Mar. 31, 2007	Mar. 31, 2006
	EUR '000s	EUR '000s
Equity		
Subscribed capital	26,868	26,868
Capital reserve	58,237	58,237
Retained earnings	93,106	93,995
Equity before minority interests	178,210	179,100
Minority interests	478	478
	178,688	**179,578**
Non-current liabilities		
Bond		
Non-current liabilities to banks	72,158	5,499
Other non-current liabilities	4,052	6,085
Pension obligations	49,808	47,388
Deferred tax liabilities	17,629	14,074
	143,647	**73,046**
Current liabilities		
Bond		42,000
Current liabilities to banks	23,307	12,866
Trade accounts payable	86,895	74,734
Financial obligations	115	1,471
Other current liabilities	47,668	40,180
Income tax liabilities	8,315	10,357
Other provisions	10,467	13,959
	176,767	**195,567**
Total equity and liabilities	**499,102**	**448,191**

Cash Flow Statement *for the first quarter of 2007*

	Q1 2007	Q1 2006
	EUR '000s	EUR '000s
1. Cash flow from operating activities		
Net income for the period	3,622	6,008
Non-cash items:		
Depreciation and impairment of property, plant and equipment	5,274	5,394
Amortization and impairment of intangible assets	456	399
Changes in provisions and pension obligations	4,771	6,350
Other non-cash changes	– 341	– 82
Changes in working capital		
Increase in trade accounts receivable and other receivables	– 34,243	– 26,932
Increase in inventories	– 5,132	– 1,912
Decrease in other assets	3,551	1,884
Increase in trade accounts payable and other liabilities	7,502	3,116
Gains on the disposal of assets	23	1
Net cash used in operating activities	**– 14,517**	**– 5,774**
2. Cash flow from investing activities		
Acquisitions		
Acquisition of property, plant and equipment	– 6,344	– 4,892
Acquisition of intangible assets	– 344	– 251
Acquisition of investments	– 243	– 4
Disposals		
Disposal of property, plant and equipment	160	538
Disposal of intangible assets	35	7
Disposal of investments	41	182
Interest received	559	263
Net cash used in investing activities	**– 6,136**	**– 4,157**
3. Cash flow from financing activities		
Dividend payments	0	0
Purchase of treasury shares	0	0
Repayment of bond	0	0
Changes in non-current liabilities to banks	– 974	763
Changes in lease liabilities	– 205	– 221
Interest paid	– 2,218	– 1,804
Net cash used in financing activities	**– 3,397**	**– 1,262**
4. Cash and cash equivalents at end of period		
Net change in cash and cash equivalents (subtotal of items 1 – 3)	– 24,050	– 11,193
Cash and cash equivalents at January 1	16,258	9,594
Cash and cash equivalents at March 31	**– 7,792**	**– 1,599**
5. Composition of cash and cash equivalents		
Cash and short-term deposits	15,515	11,267
Securities	0	0
Current account liabilities to banks	– 23,307	– 12,866
Cash and cash equivalents at March 31	**– 7,792**	**– 1,599**

Statement of Changes in Equity *for the period from January 1, 2007 to March 31, 2007*

	Subscribed capital	Capital reserve	Retained earnings	Treasury shares	Other reserves	Total	Minority interests	Group equity
	EUR '000s	EUR '000s	EUR '000s	EUR '000s	EUR '000s	EUR '000s	EUR '000s	EUR '000s
Balance as of Dec. 31, 2006	**26,868**	**58,237**	**90,158**	**-7,441**	**6,470**	**174,292**	**468**	**174,760**
Dividend								
Consolidated net income for the period			3,610			3,610	12	3,622
Subsequent measurement (IAS 39)					– 242	– 242		– 242
Exchange rate differences					590	590	2	592
Other changes in equity							– 4	– 4
Change in net investtments (IAS 21/39)					– 40	– 40		– 40
Balance as of Mar. 31, 2007	**26,868**	**58,237**	**93,768**	**– 7,441**	**6,778**	**178,210**	**478**	**178,688**

Selected Notes to the Consolidated Income Statement of Grammer AG for the Period from January 1 to March 31, 2007 and the Consolidated Balance Sheet of Grammer AG as of March 31, 2007

Basis of Presentation

Grammer AG has prepared its consolidated financial statements for the 2006 financial year and the present interim financial statements for the period ended March 31 in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). The term "IFRS" also refers to the International Accounting Standards (IASs) still in effect, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and those of the former Standing Interpretations Committee (SIC). Accordingly, this interim report as of March 31 has been prepared in accordance with IAS 34. The possibility that the IASB will make further pronouncements before the final preparation of the consolidated financial statements as of December 31, 2007, and hence that the standards applied in preparing these interim financial statements will deviate from the standards applied in preparing the consolidated financial statements for the year ended December 31, 2007, cannot be excluded. In addition, the European Commission has yet to endorse certain individual pronouncements by the IASB. As such, it should be noted that the figures presented in this report are preliminary and may be subject to change. The new and revised standards and interpretations of the IASB and the IFRIC which came into effect on January 1, 2007 did not have a significant effect on the net assets, financial position and results of operations of Grammer AG and were not relevant to the consolidated financial statements. There was no early application of any standards, interpretations or amendments to previously published standards that will be required to be applied on or after January 1, 2008.

The preparation of the consolidated financial statements in accordance with the pronouncements of the IASB requires that assumptions be made for certain items which affect the carrying amounts of these items in the consolidated balance sheet and the consolidated income statement, as well as the disclosure of contingent assets and liabilities.

The present interim consolidated financial statements have not been audited.

The consolidated financial statements are prepared in euros. Unless otherwise indicated, all amounts are stated in thousands of euros (EUR thousands).

Accounting Policies

In preparing the interim financial statements as of March 31, 2007 and the comparative prior-year figures, the same accounting policies were applied as for the consolidated financial statements for the year ended December 31, 2006. These principles and methods are described in detail in the notes to the 2006 consolidated financial statements, which were published in their entirety in the 2006 Annual Report. New standards have been applied since January 1, 2007, primarily resulting in more extensive disclosure requirements.

Basis of Consolidation

In addition to Grammer AG, the basis of consolidation includes four domestic and 17 foreign companies that are directly or indirectly controlled by Grammer AG in accordance with IAS 27. In addition, a joint venture within the meaning of IAS 31 is proportionately consolidated. Grammer AG holds 50% of the voting rights in this joint venture. All intragroup transactions and balances are eliminated in the course of consolidation. The uniform reporting date for all of the companies included in consolidation is March 31.

Currency Translation

In the single-entity financial statements of Grammer AG and its consolidated subsidiaries, foreign-currency transactions are translated at the exchange rate applicable on the date of initial recognition of the respective transaction. Any resulting gains or losses are recognized in income. Financial statements prepared in foreign currencies and transactions denominated in foreign currencies are translated in accordance with the functional currency concept as set out in IAS 21. The financial statements of Group companies whose functional currency differs from the reporting currency of the Group (EUR) are translated using the modified closing rate method. In the consolidated financial statements, the assets and liabilities of foreign Group companies are translated into euros from the respective local currency at the middle rate on the balance sheet date. Income statement items are translated to euros at the average exchange rate for the year. For currency translation purposes, the following exchange rates were applied for the major currencies outside the euro zone that are of relevance to the Group:

		Average rate Q1 2007 (2006)	Closing rate March 31, 2007 (2006)
Argentina	ARS	0.245 (0.273)	0.242 (0.268)
Brazil	BRL	0.360 (0.377)	0.368 (0.377)
Bulgaria	BGN	0.511 (0.511)	0.511 (0.511)
Canada	CAD	0.652 (0.724)	0.652 (0.710)
China	CNY	0.098 (0.104)	0.097 (0.103)
Czech Republic	CZK	0.036 (0.035)	0.036 (0.035)
India	INR	0.017 (0.019)	0.017 (0.019)
Japan	JPY	0.006 (0.007)	0.006 (0.007)
Mexico	MXN	0.069 (0.079)	0.068 (0.076)
Poland	PLN	0.257 (0.259)	0.258 (0.253)
Russia	RUB	0.029 (0.030)	0.029 (0.030)
Slovenia	EUR (SIT)	(0.004)	(0.004)
Switzerland	CHF	0.619 (0.640)	0.616 (0.633)
Turkey	TRL	0.537 (0.626)	0.541 (0.613)
United Kingdom	GBP	1.489 (1.456)	1.472 (1.435)
USA	USD	0.760 (0.835)	0.752 (0.827)

Revenue

The Grammer Group generates revenue primarily from the sale and delivery of its products to customers. Revenue can be broken down as follows:

	Q1 2007	Q1 2006
	EUR '000s	EUR '000s
Gross revenue	239,104	223,582
Sales deductions	– 1,434	– 984
Net revenue	**237,670**	**222,598**

Net revenue of EUR 237,670 thousand includes contract revenue of EUR 5,090 thousand (Q1/2006: EUR 4,137 thousand) recognized using the percentage-of-completion method. This relates to development activities and operating funds that are expensed and financed by the Grammer Group before a product reaches serial production and starts to generate sales. These are primarily attributable to the Automotive segment.

Other Income

Other operating income in the amount of EUR 1,462 thousand (previous year: EUR 1,289 thousand) includes income from the reversal of valuation allowances, proceeds from the sale of scrap metal and the oncharging of materials handling costs, as well as gains on the disposal of property, plant and equipment.

Financial Result

	Q1 2007	Q1 2006
	EUR '000s	EUR '000s
Financial income	560	263
Finance costs	– 3,067	– 2,040
Net finance costs	**– 2,508**	**– 1,777**

Financial income mainly relates to temporary surplus cash invested as part of active cash management. Temporary changes in interest rate swaps are recognized in income in accordance with IAS 39, which results in unrealized gains and losses within the financial result. The financial result also contains the interest component of pension contributions and the interest component of lease payments in accordance with IAS 17.

Cost of Sales

The cost of sales includes the manufacturing costs attributable to sales and the cost of merchandise. This item also includes the cost of operating below capacity and other production-related overheads and administrative expenses, as well as expenses for allocations to warranty provisions. The cost of sales also contains non-capitalized research and development costs and the amortization of development costs. Expenses relating to the development and expansion of plant locations in preparation for forthcoming series production (“industrialization costs”) are included in the cost of sales to the extent that these expenses cannot be deferred. Development in the Driver Seats and Passenger Seats segments is generally performed on a “design to market” basis, with the corresponding costs recognized accordingly. The cost of sales includes the cost of inventories in the amount of EUR 196,515 thousand (previous year: EUR 183,748 thousand).

Selling Expenses

Selling expenses include all sales-related costs and primarily relate to costs incurred by the sales, advertising and marketing departments, as well as all overheads allocable to these departments or activities. Freight, commissions, and forwarding charges are also included in selling expenses.

Administrative Expenses

Administrative expenses include all items of administrative expenditure that cannot be directly allocated to other functions, including expenditure for general administration, management and other staff departments. This item also includes foreign exchange gains in the amount of EUR 2,408 thousand (previous year: EUR 3,628 thousand) which primarily relate to changes in exchange rates between the origination and settlement of foreign-currency receivables and liabilities, as well as foreign exchange gains resulting from remeasurement at the reporting date. Foreign exchange losses in the amount of EUR 3,043 thousand (previous year: EUR 4,355 thousand) are also reported in administrative expenses.

Earnings per Share

Basic earnings per share is calculated by dividing the consolidated net income/loss for the period by the average number of shares outstanding during the financial year.

In addition to basic earnings per share, diluted earnings per share must be disclosed if a company also has so-called potential shares (i.e., financial instruments and other contracts entitling the holders to subscribe for no-par value shares of the company, such as convertible bonds and options). As the Grammer Group has not issued any such financial instruments or entered into any such contracts, its basic and diluted earnings per share are identical.

	Q1 2007	Q1 2006
Weighted average number of no-par value shares used to calculate basic/diluted earnings per share	10,165,109	10,495,159
Consolidated net income (in EUR '000s)	3,622	6,008
Basic/diluted earnings per share (in EUR)	0.36	0.57

No transactions involving no-par value shares or potential no-par value shares of the Group were effected in the period between the reporting date and the preparation of the consolidated financial statements. There were no changes in or additional purchases of treasury shares compared with the last annual financial statements.

Intangible Assets

Intangible assets include goodwill as well as capitalized development costs. A total of EUR 344 thousand was invested in licenses and software. Amortization of intangible assets amounted to EUR 456 thousand (previous year: EUR 399 thousand).

Property, Plant and Equipment

In the first three months of 2007, a total of EUR 6,344 thousand was invested in property, plant and equipment. Depreciation for the same period amounted to EUR 5,274 thousand (previous year: EUR 5,394 thousand).

Inventories

The increase in inventories to EUR 90.5 million (previous year: EUR 82.1 million) is primarily attributable to the expansion of the Group's business activities. All inventories are carried at cost. There were no significant write-downs to the lower fair value.

Trade Accounts Receivable

The increase in trade accounts receivable to EUR 139.5 million (previous year: EUR 126.0 million) is attributable to the expansion of the Group's business activities. The fair values of trade accounts receivable correspond to their carrying amounts. No valuation allowances were necessary. Some foreign-currency trade accounts receivable were hedged by means of currency forwards. There were no restrictions on ownership or disposition.

Other Receivables and Assets

Other receivables and assets primarily relate to receivables from construction contracts in the amount of EUR 34.8 million (previous year: EUR 20.3 million), other assets of EUR 19.3 million (previous year: EUR 15.9 million) and prepaid expenses of EUR 2.8 million (previous year: EUR 3.0 million). Other assets are mainly composed of other tax claims, creditors with debit balances and receivables from affiliates.

Subscribed Capital and Reserves

The development of the Grammer Group's equity is presented in the statement of changes in equity. Based on the single-entity financial statements of Grammer AG prepared in accordance with the German Commercial Code, the Company's distributable profits amount to EUR 25,717 thousand. The Board of Management and Supervisory Board of Grammer AG have proposed that the Annual General Meeting resolve the payment of a dividend of EUR 1.00 per share or a total distribution of EUR 10,165 thousand, and that the remaining EUR 15,552 thousand be carried forward to new account. The proposed resolution on the appropriation of net retained profit takes into account the fact that the Company holds 330,050 treasury shares for which no dividends are payable. The number of no-par value shares eligible for dividends may change between the publication of this interim report and the date of the Annual General Meeting.

Current and Non-current Liabilities

The increase in **pension obligations** to EUR 49.8 million (previous year: EUR 47.4 million) was due to existing commitments. Pension expense for the interim period is calculated on a year-to-date basis using a preliminary estimate based on the previous year's expert opinion adjusted to reflect significant events.

Non-current liabilities to banks relate to a long-term borrower's note loan for the refinancing of the expired bond, as well as the long-term portion of various euro-denominated loans with interest rates of between 3.5% and 4.84% p.a., the final payments on which are due in 2009.

Other current liabilities totaled EUR 47.7 million, up slightly on the previous year (EUR 40.2 million) due to the expansion of the Group's business activities. This item primarily contains obligations relating to human resources, other taxes and current business operations.

Other provisions contain provisions for risks resulting from the sale of parts and products, including development. These primarily relate to warranty claims calculated on the basis of previous and estimated future claims, as well as provisions for rebates, bonuses and similar discounts that are required to be granted on the basis of legal or constructive obligations and that are payable after the balance sheet date but relate to revenue generated prior to the reporting date.

All other provisions relate to obligations resulting from staff and social benefits, such as partial retirement schemes and anniversary bonuses, as well as a number of identifiable specific risks and contingent liabilities, such as provisions for litigation costs, which are recognized at their probable amount.

Cash Flow Statement

The cash flow statement presents the Group's cash flow situation broken down into cash inflows and outflows from operating activities, investing activities and financing activities, irrespective of the balance sheet classification of the respective items. To improve the information value of the cash flow statement, the Group has adopted a more detailed form of presentation than in the previous year, and the prior-period figures have been broken down accordingly. The cash flow from operating activities is derived indirectly from net income, which is adjusted to include non-cash expenses (primarily depreciation, amortization and impairment) and income. Changes in working capital are then taken into account, resulting in the cash flow from operating activities. Investing activities comprise payments for property, plant and equipment and investments in property, plant and equipment and financial assets, but not additions to capitalized development costs. Financing activities include cash outflows for dividend payments and repayments of loans, as well as changes in other financial liabilities. At the Grammer Group, cash and cash equivalents consists of cash and short-term money market funds, less current account liabilities to banks.

Business Segments

Information on the Group's business segments can be found in the consolidated financial statements for the year ended December 31, 2006. The segments are broken down as follows:

	Driver Seats	Passenger Seats	Automotive	Central Services/ elimination	Total Group
	EUR '000s	EUR '000s	EUR '000s	EUR '000s	EUR '000s
Q1 2007					
Revenue	75,341	13,053	150,764	– 1,488	237,670
Profit before net finance costs	7,799	84	3,182	– 992	10,072
Profit before income taxes	6,971	– 68	1,735		7,565
Q1 2006					
Revenue	69,537	10,239	144,202	– 1,380	222,598
Profit before net finance costs	5,671	– 101	8,067	– 1,166	12,471
Profit before income taxes	4,947	– 193	7,179		10,694

Contingent Liabilities

Guarantees have been issued for all leased business premises and as contractual guarantees against breaches of contract. The guarantee amount of EUR 1,647 thousand has not changed since December 31, 2006.

Events after the Balance Sheet Date

No significant events occurred between the balance sheet date and the publication of this interim report.

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