



## 2008 Half Year Results

Hartmut Reuter, Chief Executive Officer  
Urs Leinhäuser, Chief Financial Officer

# Agenda

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- **Introduction and Summary of HY1 2008** Hartmut Reuter
- Financial Results HY1 2008 Urs Leinhäuser
- Outlook & Restructuring Program Hartmut Reuter

# Summary HY1 2008

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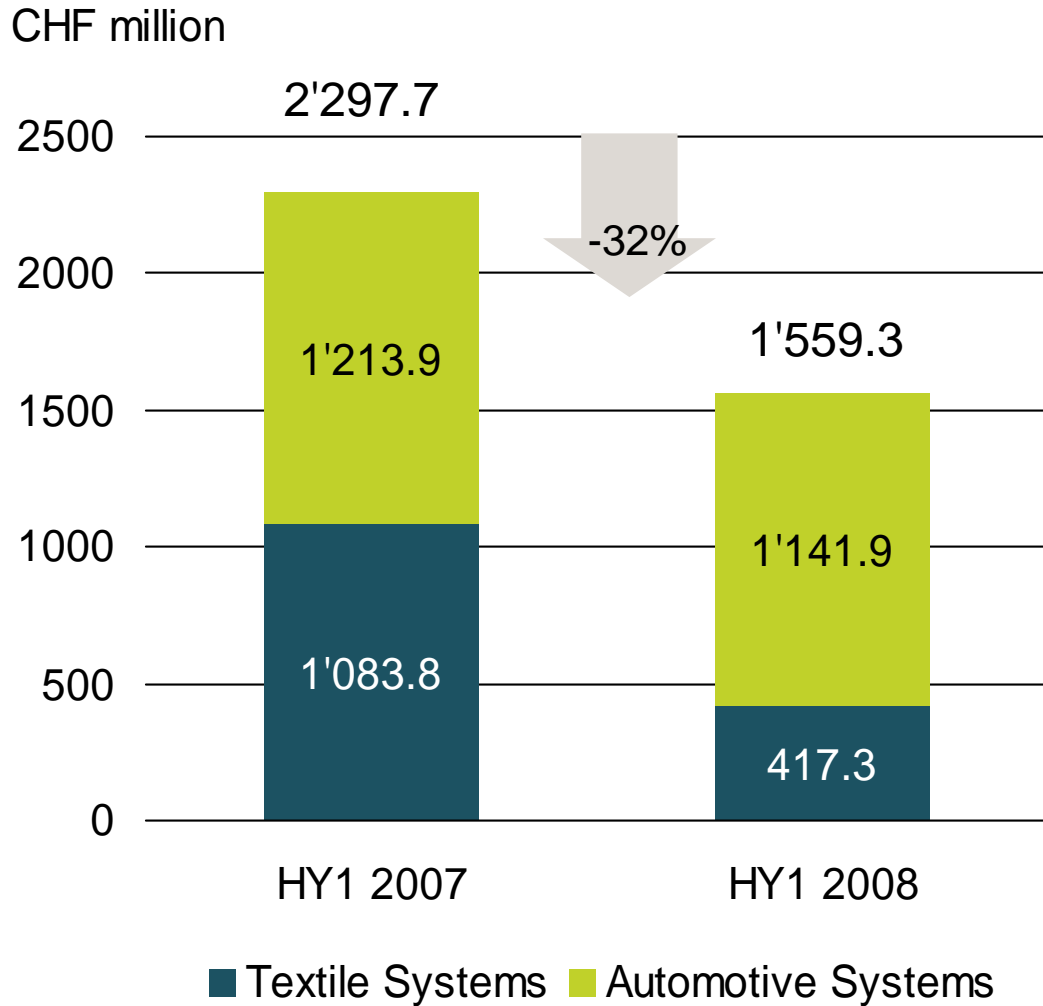
- Both divisions affected by negative market development, but market positions maintained
- Half of sales decline due to currency effects
- Substantially higher cost of raw materials, energy and transportation, not fast enough transferred to our customers
- Operating result does not meet our long-term targets
- Restructuring program 2008-2010 started as a chance to sustainably improve profitability
- Innovations in both divisions (Air-Jet Spinning and new acoustic material Rieter Ultra Silent) are introduced in the market



# Financial Results HY1 2008

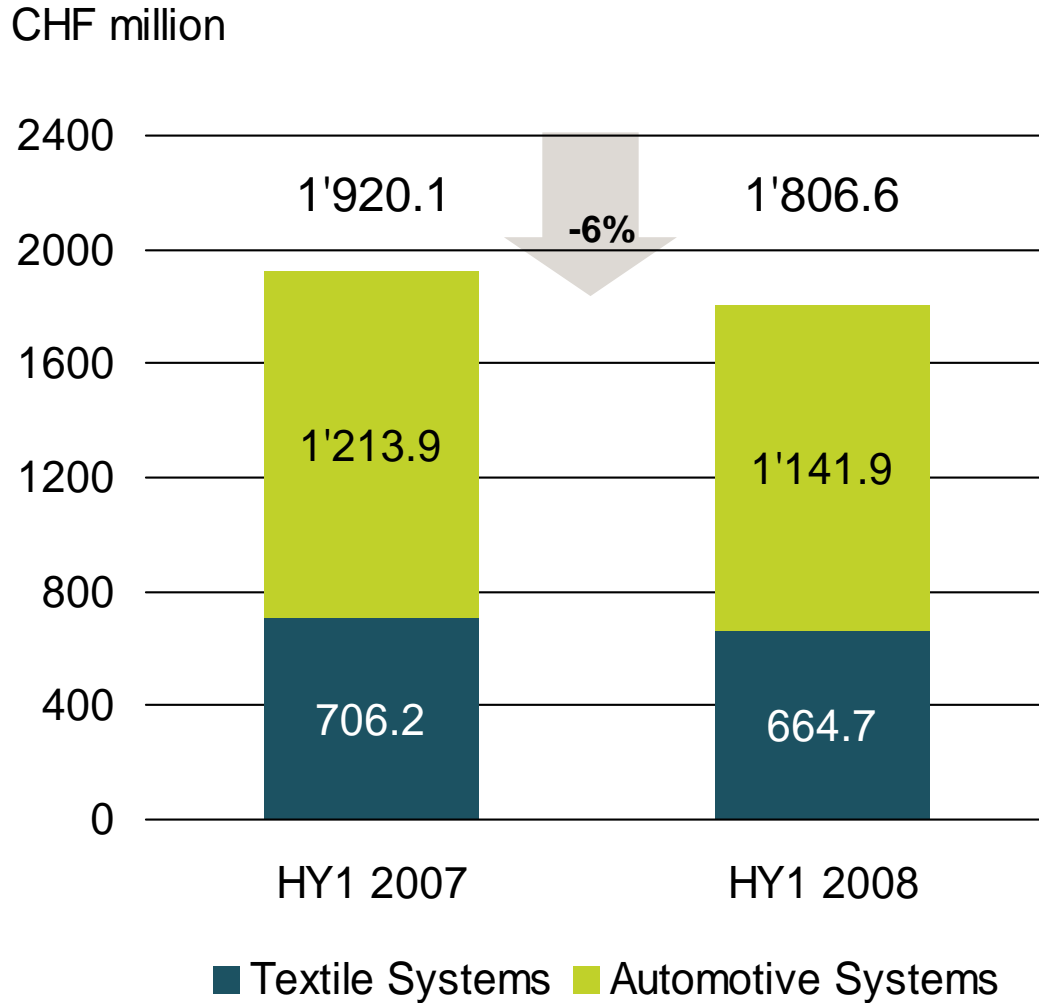
Urs Leinhäuser, Chief Financial Officer

# HY1: Orders by Division



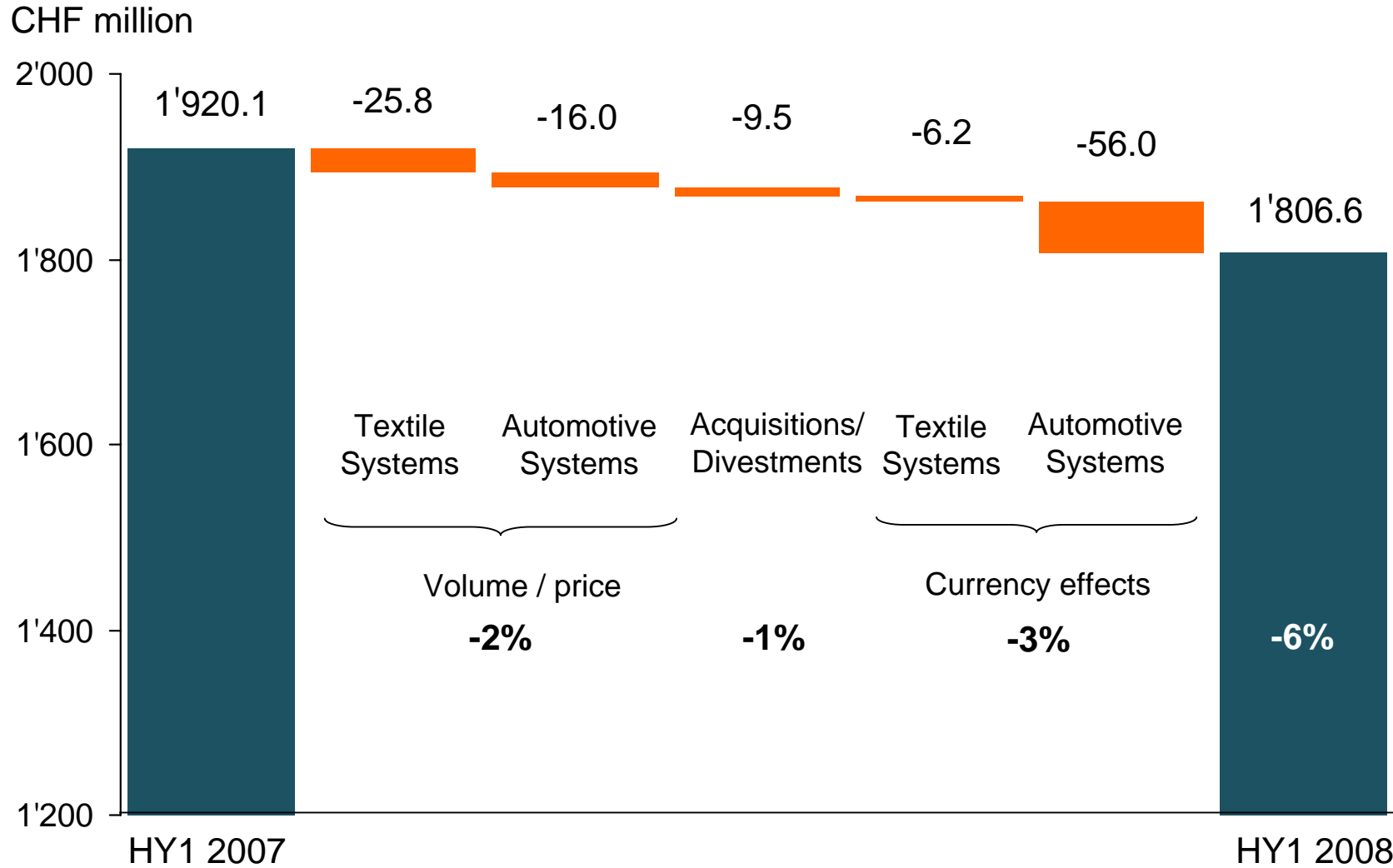
- Orders at Textile Systems declined by 61% due to subdued business outlook
- Drastic reduction of investments, especially of Asian spinning mills
- Order intake at Textile Systems in HY1 07 was on record level (over 1 billion CHF for the first time)
- In the Automotive division orders = sales

# HY1: Sales by Division

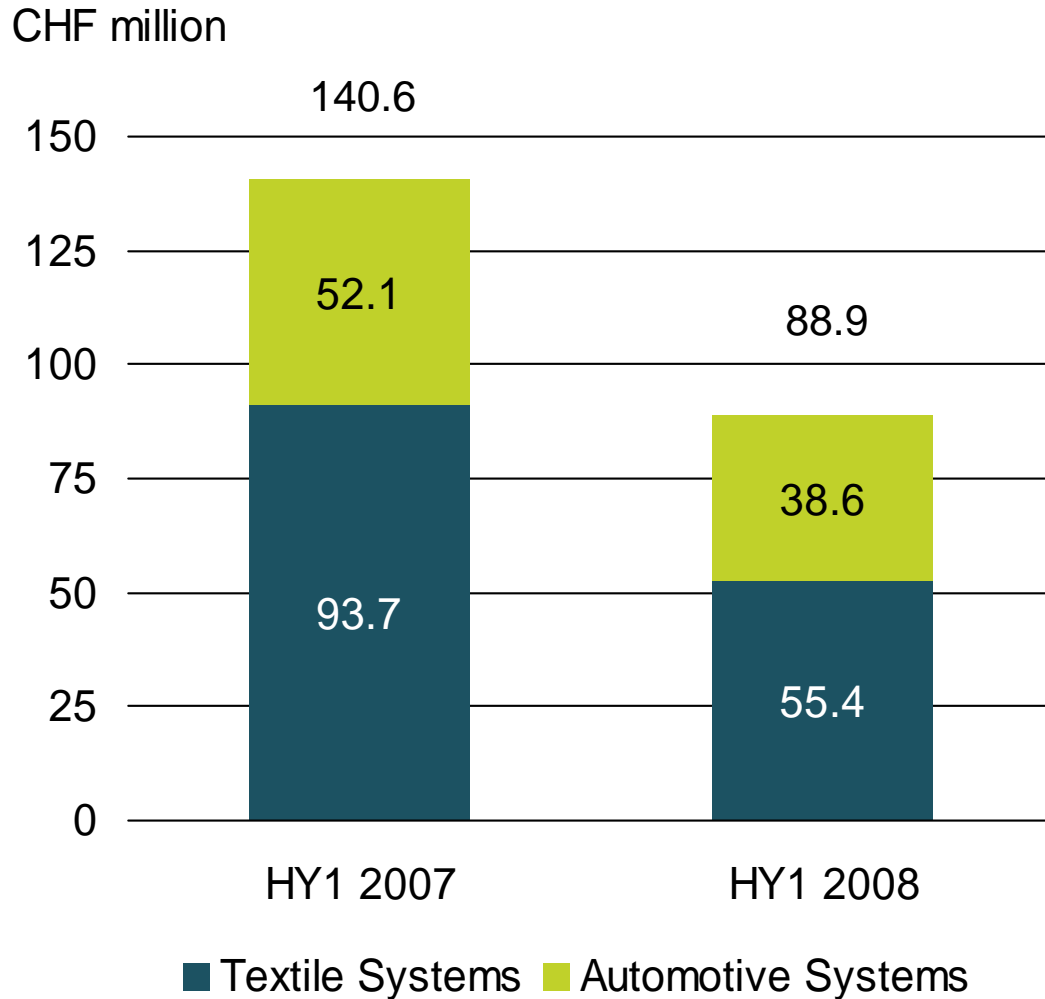


- Sales -3% (adjusted for currency effects)
- Weaker trend of business in HY2 07 and steep decline in demand in HY1 08 resulted in lower Textile sales
- Automotive with substantial decline in North American sales, due also to currency
- Both divisions successfully maintained their market position

# HY1: Sales Development



# HY1: Operating Result before Special Charges



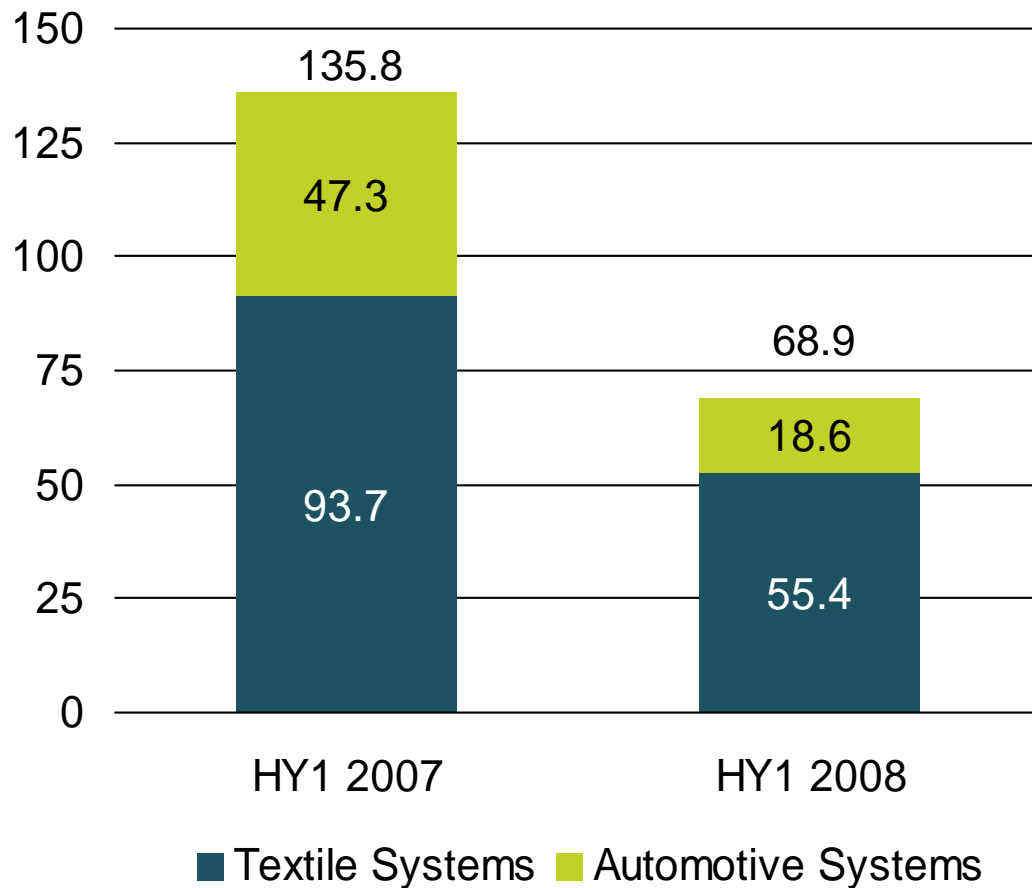
- Operating result before special charges was 51.7 million CHF below previous year
- Lower result mainly due to higher material and energy cost but also to lower volume, product mix and upfront expenditures
- Operating margin before special charges was 5.1% (7.4% in the previous year)



# HY1: Operating Result (EBIT)

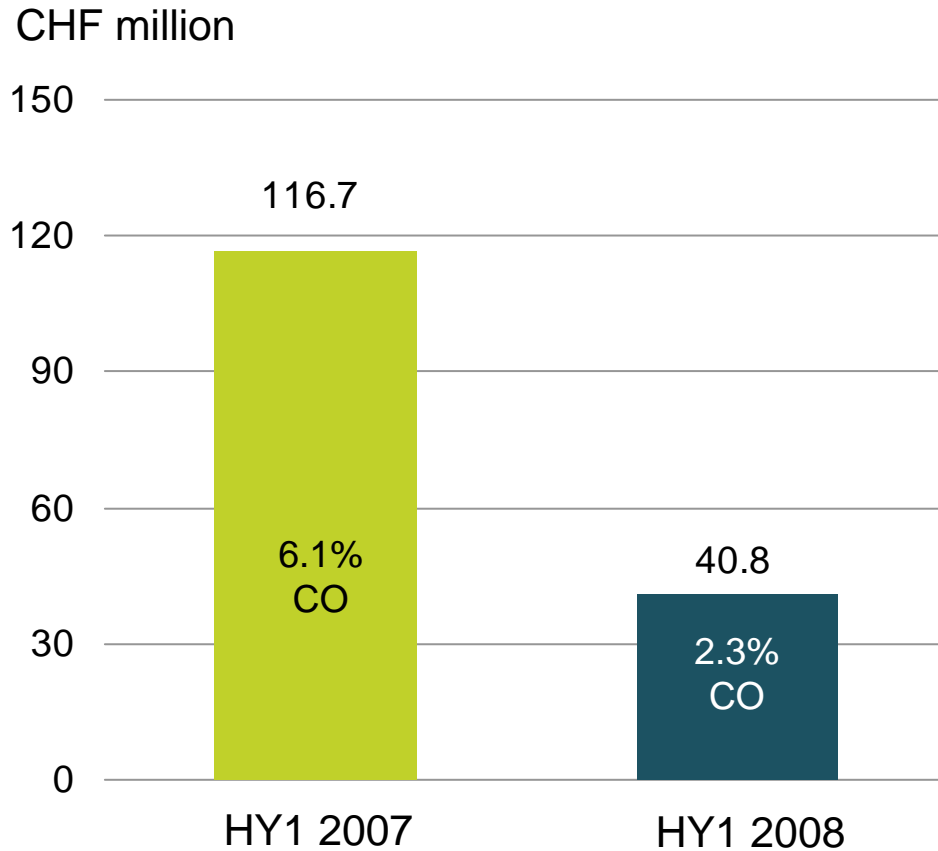


CHF million



- Operating result (EBIT) was 66.9 million CHF below previous year
- This EBIT corresponds to 4.0% of corporate output
- Special charges of 20 million CHF were incurred in the Automotive division: capacity adjustment and cost-cutting actions in Western Europe and North America
- No special charges in HY1 in Textile Systems

# HY1: Net Profit / EPS



- Net profit is 75.9 million CHF below previous year
- Mainly due to lower EBIT, further to a decline of 32.4 million CHF in the financial result
- This net profit corresponds to 2.3% of corporate output
- EPS was 8.89 CHF (26.40 CHF in previous year)

CO = Corporate output

# HY1: Balance Sheet



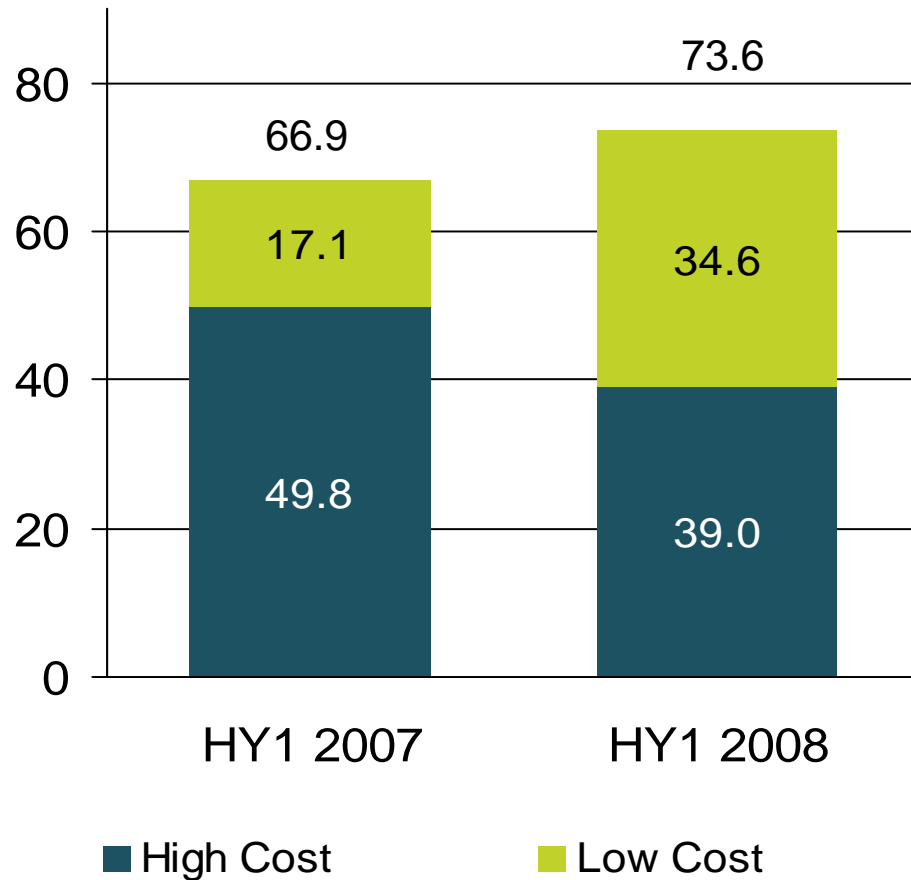
	30.06.08		31.12.07
	CHF million	in % of total assets	CHF million
Total assets	<b>2'680.8</b>	100.0	2'847.4
Non-current assets	<b>1'113.6</b>	41.5	1'192.0
Net working capital	<b>348.0</b>	13.0	307.1
Cash and cash equivalents/ marketable securities	<b>354.7</b>	13.2	372.1
Financial debt	<b>328.9</b>	12.3	227.6
Shareholders' equity	<b>1'233.9</b>	46.0	1'369.5

- Still sound financial basis
- Reduction of total assets mainly currency related
- Seasonal increase in net working capital
- Net liquidity amounted to 25.8 million CHF
- Solid equity capital ratio of 46%
- Free cash flow was 6.7 million CHF before dividend and share buy-back program

# HY1: Capital Expenditure

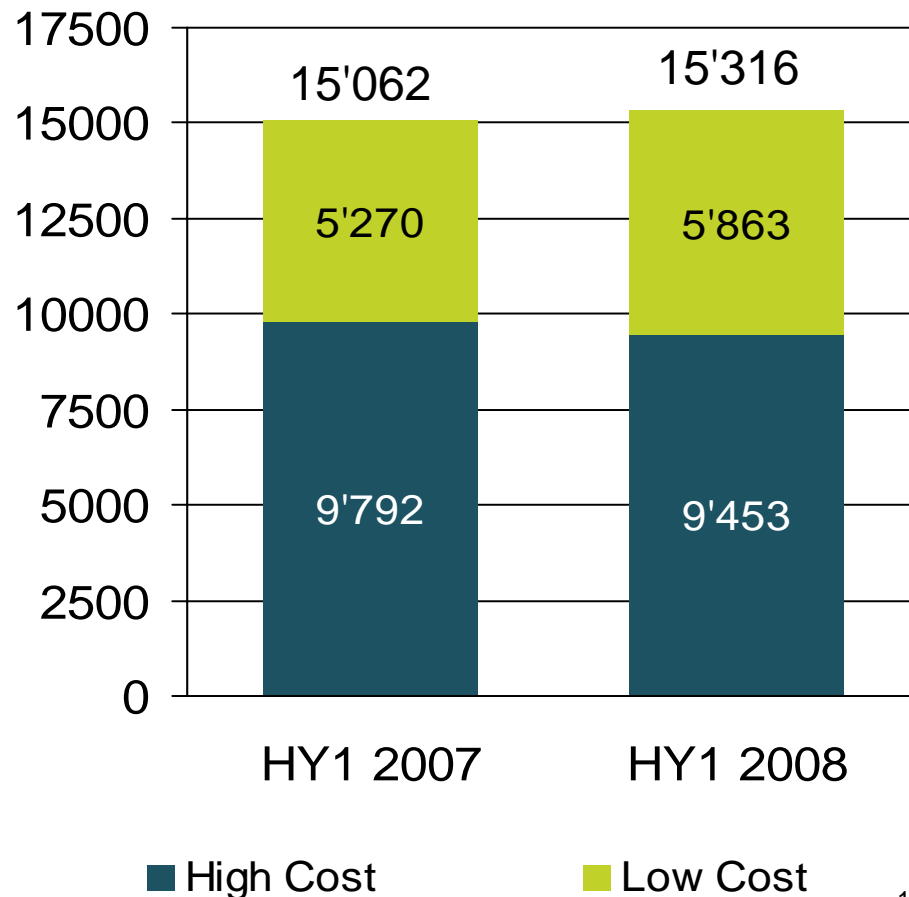


CHF million



- Capex increased slightly, due to expansion program in low-cost countries
- Capex in high-cost countries were reduced
- The Textile share of total capex is 45%, the share of Automotive 55%

# HY1: Employees<sup>1</sup>



- Automotive Systems added some 400 employees in low-cost countries and reduced personnel numbers in high-cost countries by some 200
- At the Textile division some 600 temporary positions have already been reduced (compared with HY1 2007)
- Share of employees in low-cost countries: 38% (35% in previous year)

<sup>1)</sup> Without temporaries

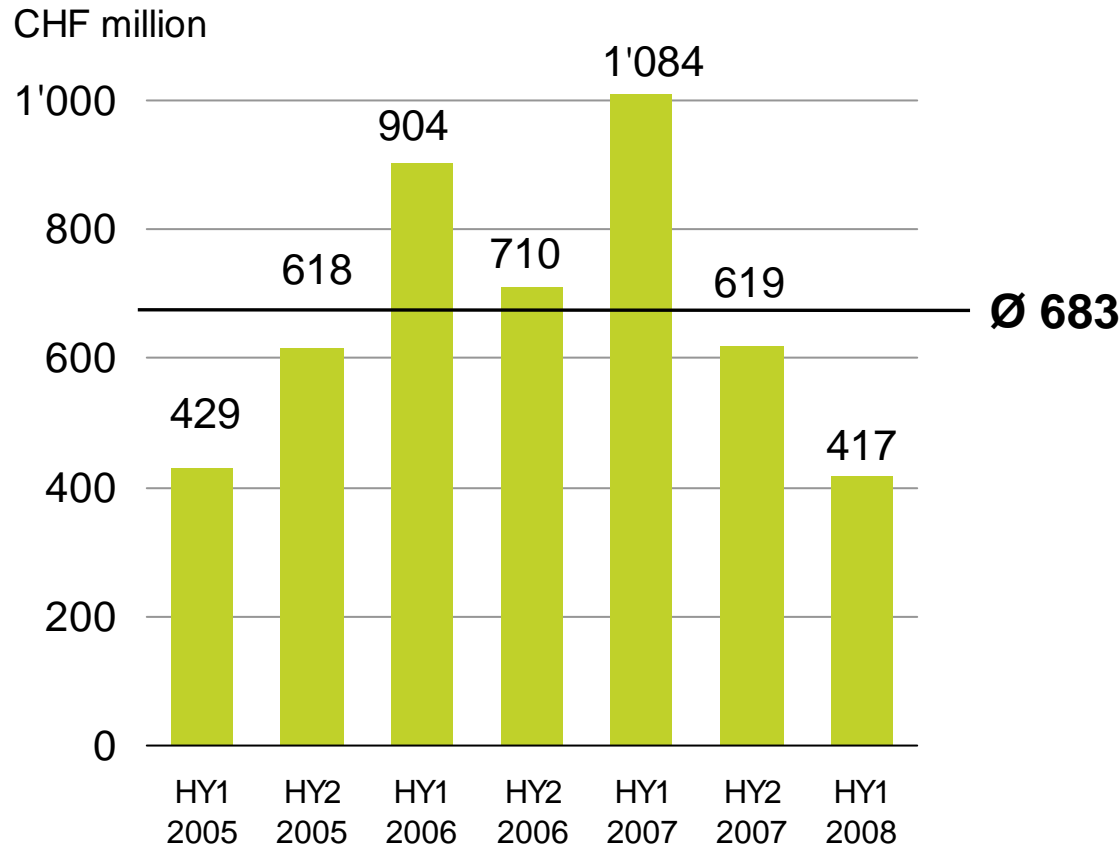
# Textile Systems



Leading systems supplier in the spinning process



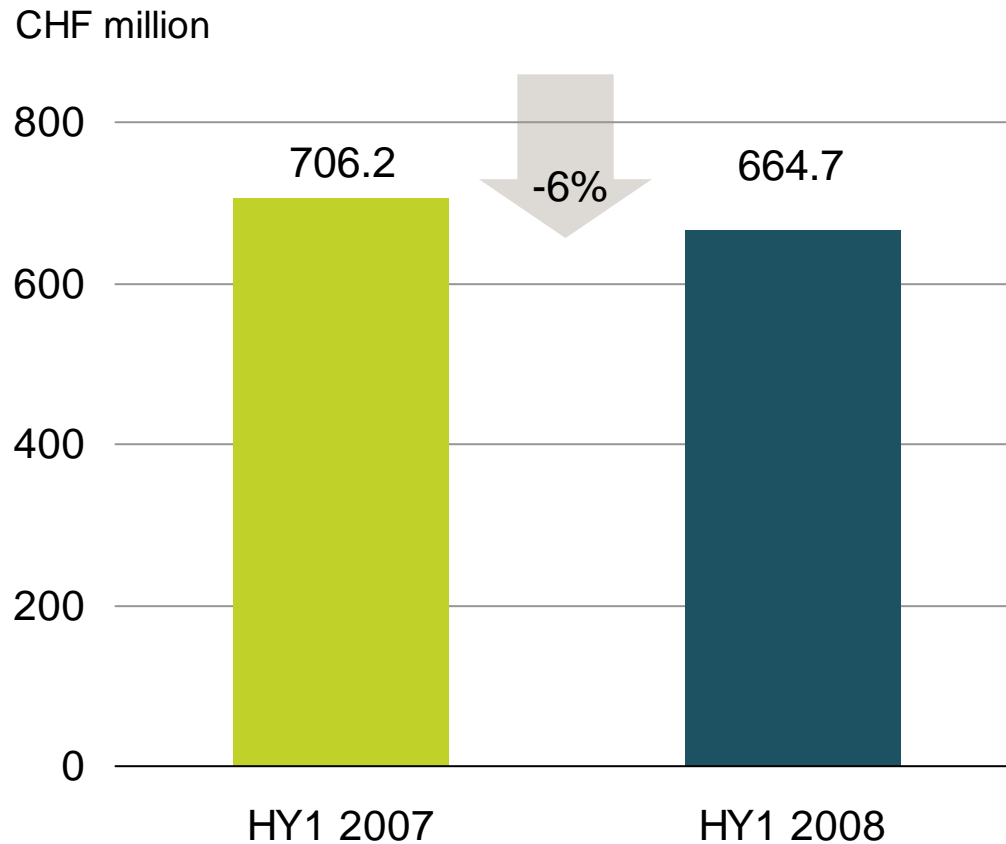
# Textile Systems HY1: Orders Received



- Orders were 61% lower compared with record figure in HY1 07
- Decline in HY1 08 due to high cotton prices, full yarn inventories, less investment incentives, higher energy cost and currency situation for spinning mills
- Current downturn more severe than in previous cycles
- Textile Systems maintained its overall market share in a challenging business environment

2005-2006 adjusted for divestiture

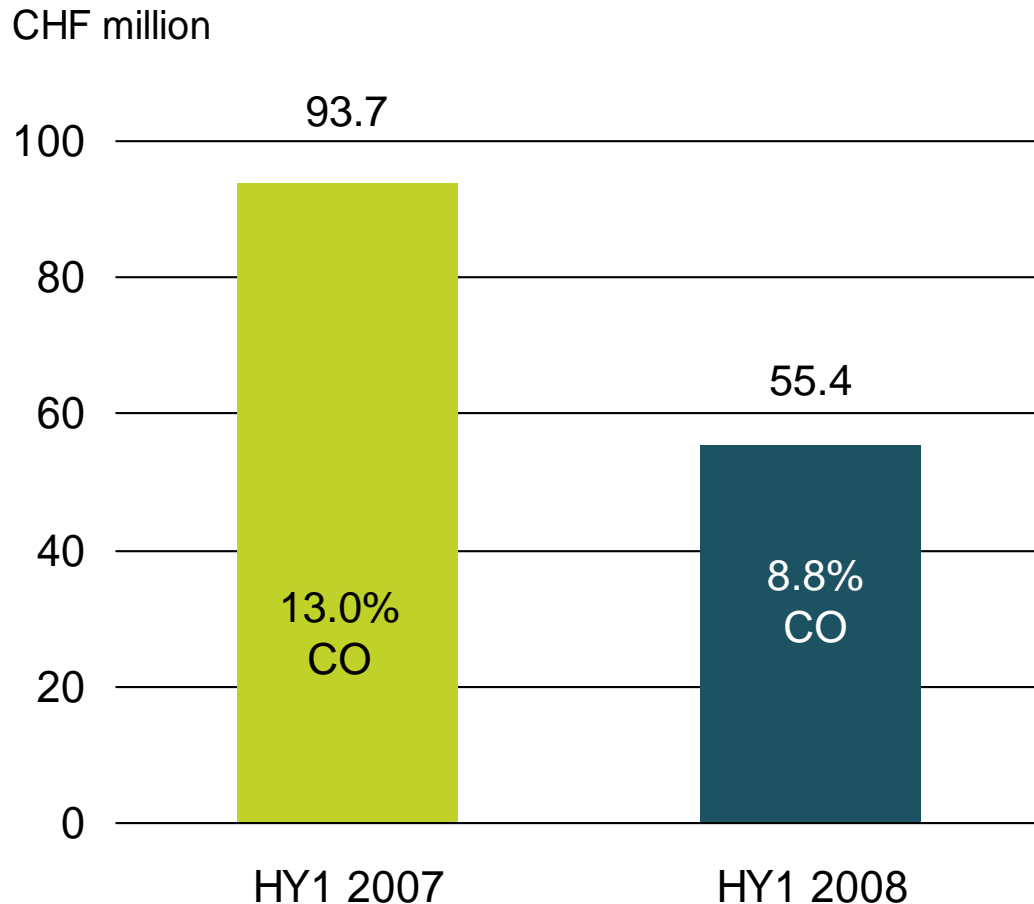
# Textile Systems HY1: Sales



- Sales were 6% lower
- Decline in volumes greater than expected due to postponements of orders by customers
- Largest sales in India, Turkey, and China, but substantially below previous year
- Higher sales in other countries (Bangladesh, Indonesia, Brazil, Egypt, South Korea) were not able to compensate



# Textile Systems HY1: Operating Result (EBIT)



- Textile System EBIT declined by 38.3 million CHF
- 15 million CHF of EBIT decline is due to cost increases in raw material, energy and transportation, the rest is equally divided between product mix and lower volume
- EBIT figure includes a divestiture gain of 2.6 million CHF for the pelletizing activities
- Strong EBIT decline but still on average since 2000 (54 million CHF)

CO = Corporate output

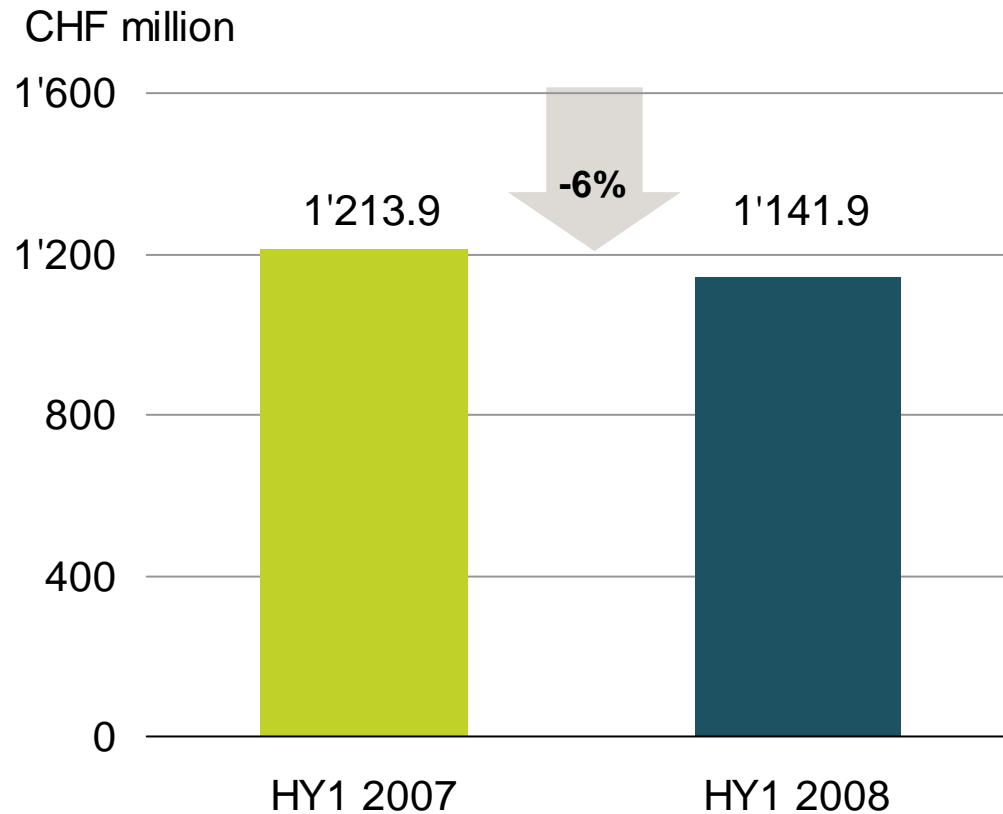
# Automotive Systems HY1 2008



Leading supplier of integrated acoustics systems

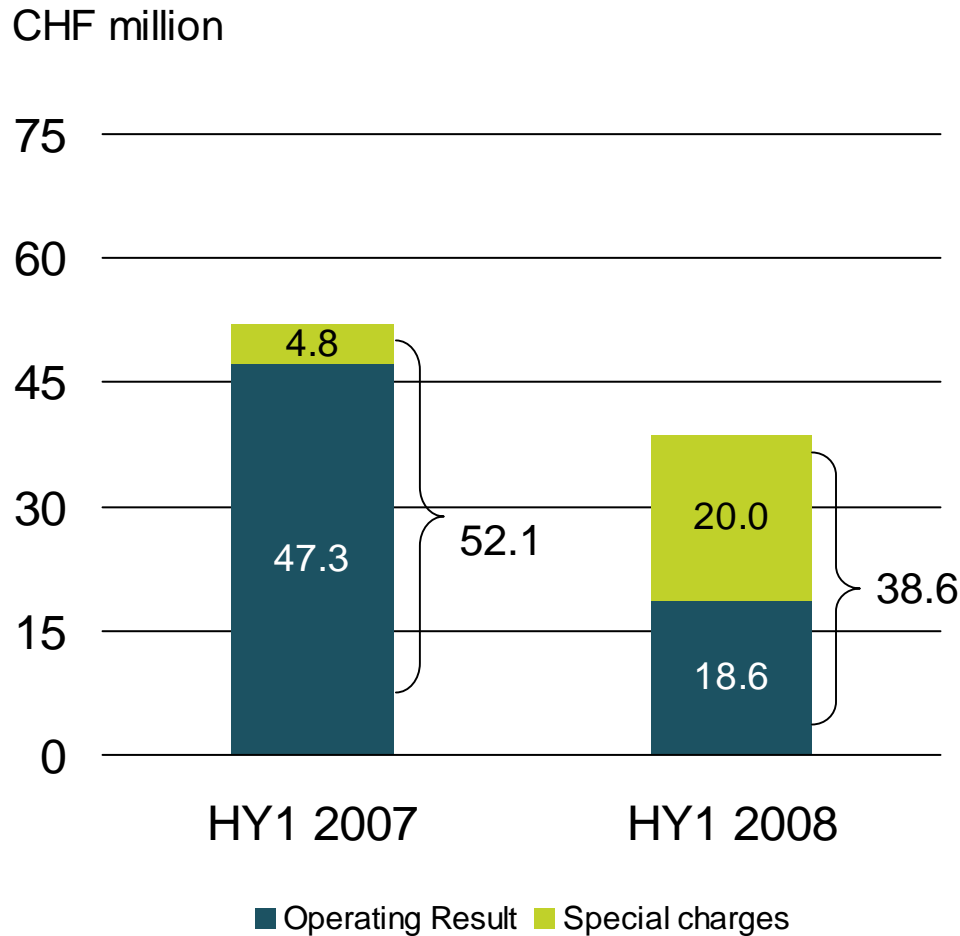


# Automotive Systems HY1: Sales



- Sales in local currencies slightly declined by 1%
- Western Europe: Sales stagnating
- North America: Sales declined in line with lower OEM production by -12%, but due to currency effects sales revenues dropped by some 20%
- Sales increased in Asia and Latin America
- Automotive System maintained its overall position in this difficult market environment

# Automotive Systems HY1: Operating Result (EBIT)



- Automotive's operating result before special charges was 13.5 million CHF below previous year
- Division is on track with implementation of operational improvement programs in Europe and North America
- Encouraging cost savings in material consumption
- Steep price increases for raw material, energy and transportation resulted in higher cost of some 30 million CHF
- Operating margin before special charges was 3.5%, the EBIT margin 1.7%
- Rieter still has one of the best margins of its competitors



# Outlook 2008 (Markets and Sales Volume)

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- **Textile Systems**

- Investment climate in the textile machinery industry will not improve before 2009
- Sales in HY2 will be some 20% lower compared to HY1 08, due to low order level and likely additional postponements of orders by customers. This will lead to a sales decline of some 25% for the full year 2008 .

## **Automotive Systems**

- The car production forecasts for Rieter Automotive's main markets for HY2 2008 are weak
- Sales at Automotive Systems in HY2 will be some 10% lower compared to HY1 2008. For the full year 2008 sales will decline between 5 and 10% depending on currency developments.

- **Group**

- Group sales will be some 10-15% lower in 2008 compared to 2007 depending on currency developments.

# Outlook 2008 (Operating Result / Margin before Special Charges)

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- **Textile Systems**

- Due to a lower level of capacity utilization in HY2 the operating result in HY2 will be significantly lower than in HY1.
- From today's point of view Rieter Textile will exceed the operating margin of 6% for the full year 2008

- **Automotive Systems**

- The operating margin for 2008 will be on the level of HY1 despite lower sales in HY2 compared to HY1

# Restructuring Textile – Overview of Measures

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- **Structural adjustments**
  - Reduction of capacities in Europe
  - Further expansion of capacities in India / China
- **Review of underperforming units / activities**
- **15% of jobs worldwide „under review“** (including reduction of temporary positions, early retirements, fluctuations, etc.)
- **Additional measures**
  - Price increase for our products due to higher cost of raw material, energy and transportation



# Restructuring Automotive – Overview of Measures

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- **Operational improvement program ongoing, but intensified**
- **Structural adjustments**
  - Reduction of capacities in North America and Western Europe
  - Acceleration of capacity expansion in Eastern Europe / Asia
- **Review of underperforming units / activities**
- **15% of jobs „under review“** (including reduction of temps., early retirements, fluctuations, etc.)
- **Additional measures**
  - Price increase for our products due to higher cost of raw material, energy and transportation

## Outlook 2008 (Result after Special Charges)

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- Total restructuring cost will be 225 million CHF, of which a substantial amount (limited by IAS 37) is to be charged to the 2008 annual accounts. Net profit 2008 could be negative.
- 1/4 of it will be incurred by Textile Systems, 3/4 by Automotive Systems
- Cash-out balanced-out over three years
- 3/4 of the cost will be cash effective
- Due to its sound financial basis Rieter can finance the restructuring program out of its own resources

## Outlook / Targets

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- **2009 Operating margin (before special charges) better than in 2008**
- **Financial targets for Rieter Group**
  - Growth: 5% per year organic
  - EBIT: 8% of corporate output
  - Net profit: 5% of corporate output

- Die wirtschaftliche Situation und die konjunkturelle Entwicklung hat sich als Folge der Finanzkrise sehr viel schneller verschlechtert, als wir alle dies vor kurzer Zeit noch gedacht haben.
- Rieter als Frühzykliker ist in beiden Geschäftseinheiten von der konjunkturellen Entwicklung bereits jetzt getroffen und wird auch in nächster Zeit noch damit kämpfen.
- Rieter hat sich trotzdem besser entwickelt als die meisten Wettbewerber, ist solide finanziert und kann die Krise nutzen, um sich an zukünftige Herausforderungen anzupassen.
- Rieter hat ein anspruchsvolles Anpassungs- und Restrukturierungsprogramm aufgelegt, das in den nächsten 3 Jahren umfangreiche Veränderungen vorsieht.
- Rieter wird nach Durchführung des Programmes besser dastehen als vorher.

# Summary

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- The economic situation, i.e. the cyclical trend, has deteriorated much faster as a consequence of the financial crisis than we all anticipated only a short time ago.
- As an early-cycle company, Rieter is already feeling the impact of the current economic trend in both divisions and will also have to contend with it in the near future.
- Nevertheless, Rieter has coped better than most of its rivals, its financial position is sound and it can take advantage of the crisis to adjust to the challenges facing it in the future.
- Rieter has launched a challenging adjustment and restructuring program which foresees extensive changes in the next 3 years.
- After completing this program, Rieter will be even better placed than before.

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