

2006 Half-Year Results

Presentation

by

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

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www.rieter.com



Review First Half 2006

Hartmut Reuter, Chief Executive Officer

Agenda



- **Introduction and Review First Half 2006** Hartmut Reuter
- Financial Results HY1 2006 Urs Leinhäuser
- Strategy and Outlook Hartmut Reuter

Progress in Developing New Markets



“The good trend of business in the second half of 2005 continued in the first six months of the current year, lifting order intake at Textile Systems by 91%, increasing sales and operating result in both divisions and sharply improving net profit.

The Rieter Group made further progress in developing its presence in the emerging markets in Asia and Eastern Europe.

In the first six months Rieter vigorously continued to adjust production capacity to the new competitive situation and will pursue this process further in the second half of the year.”

Hartmut Reuter
CEO Rieter Group

Highlights Rieter Group 2006 (1)



- **High order intake and increase in sales and profitability**
 - Textile Systems: Order intake increased by 91%
 - Automotive Systems: Sales, operating result and margin improved
 - Net profit and EPS clearly above HY1 05
- **Group financially stable**
 - Substantial investments in tangible fixed assets (new plants)
 - Net working capital higher due to increase of business and seasonal reasons
 - Net liquidity lower, solid equity capital ratio

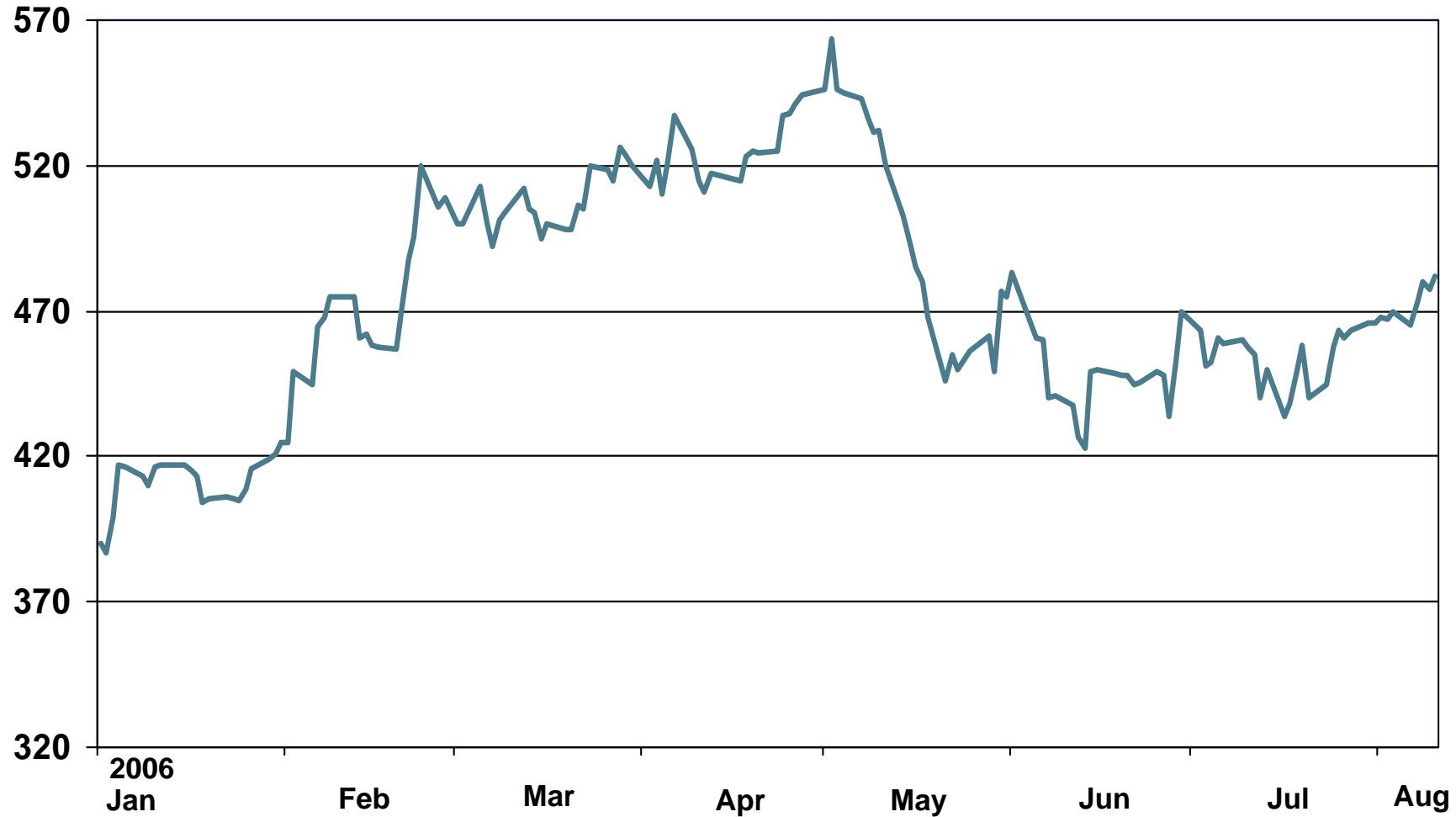
- **Further expansion of presence in Asia for both divisions**
 - Automotive Systems with new Joint Venture in North China, expansion of the existing plant in South China and acquisition of Unikeller India
 - Textile Systems' third building expansion in Changzhou, China completed
 - Increasing importance of India for both divisions
- **Strategic strengthening of the technology components business**
 - Integration of Graf on track
- **Closer to the customer**
 - New manufacturing plants: Spain, Poland, England, USA, China, India
 - Full take-over of Rieter Saifa in Spain
 - Restructuring efforts in various countries

Share Price Development HY1 2006



RIEN in CHF

**Aug 11, 2006:
CHF 482**

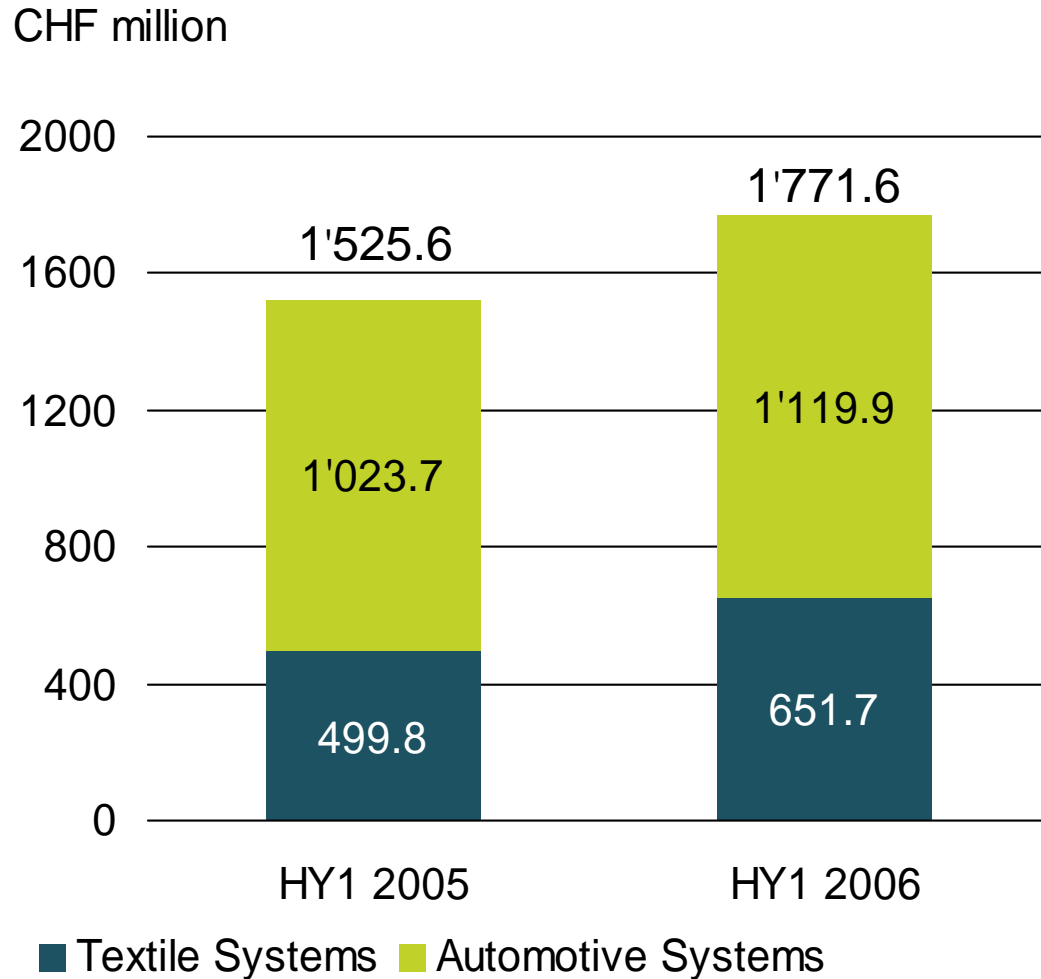




Financial Results HY1 2006

Urs Leinhäuser, Chief Financial Officer

HY1: Sales by Division

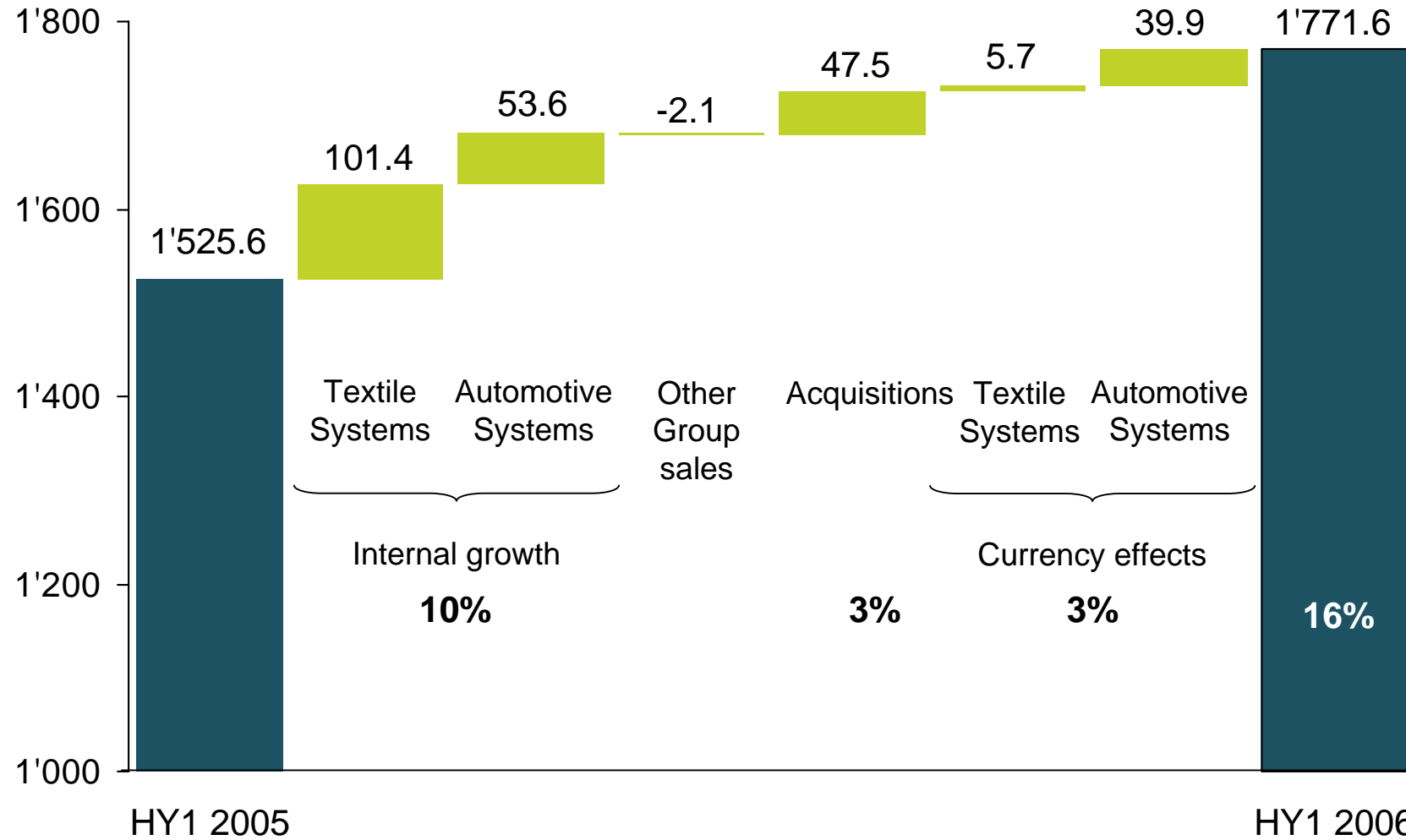


- Sales 16% above previous year
- Very good trend of business at Textile Systems
- Organic growth at Automotive Systems despite stagnating production in main markets

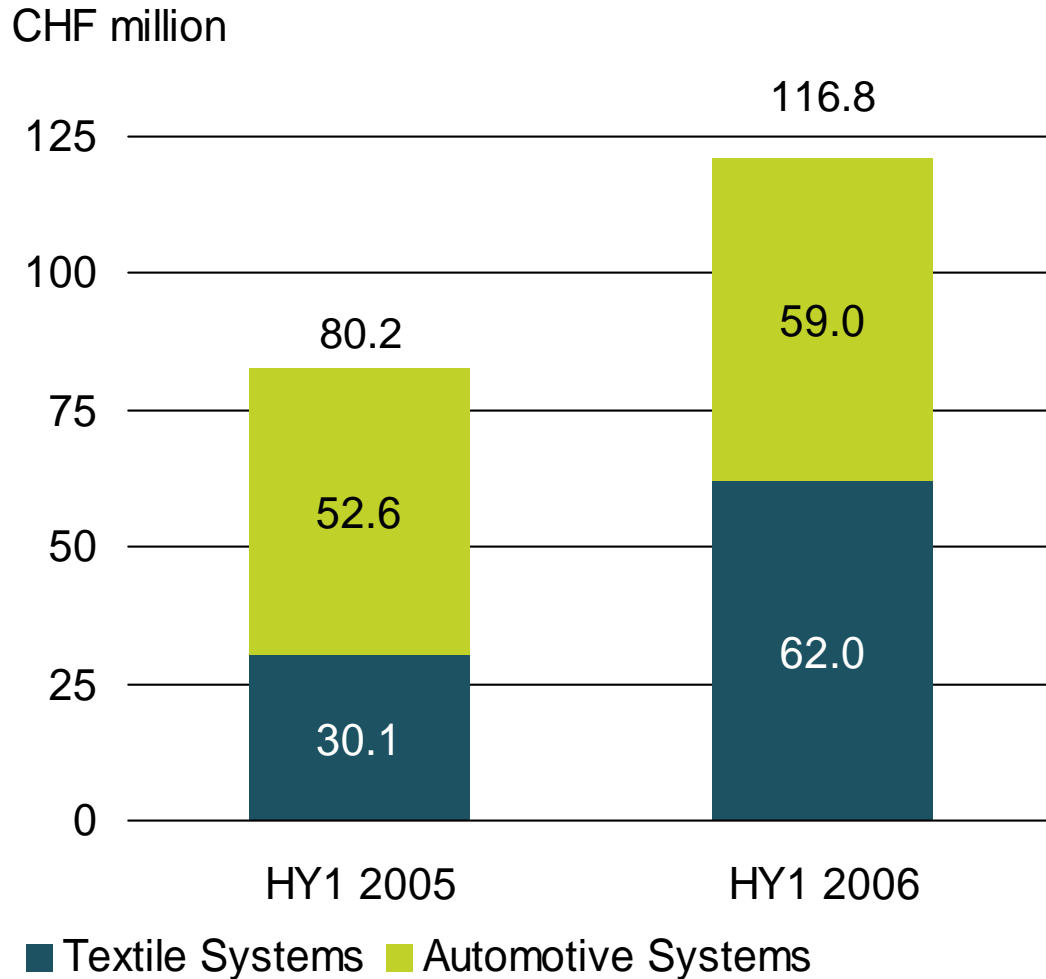
HY1: Sales Development



CHF million



HY1: Operating Result (EBIT)



- Operating result (EBIT) 46% above previous year
- Improvements in both divisions despite higher energy and material cost
- Insufficient results at Textile's man-made fiber unit
- Restructuring costs of 11.5 CHF million (HY1 2005: 2.5 CHF million)

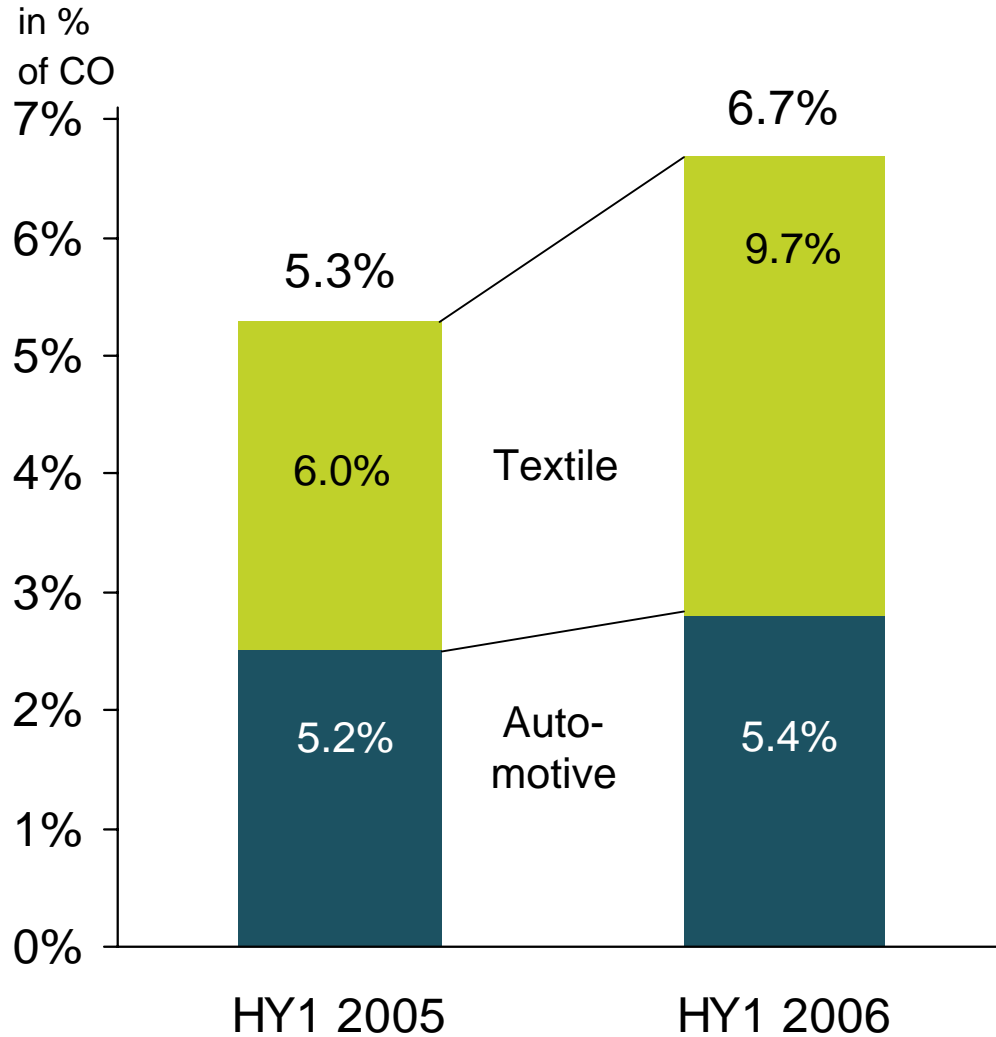
HY1: Restructuring Cost



CHF million	HY1 2006	HY1 2005	2005
Textile Systems	0.2	0.1	6.0
Automotive Systems	11.3	2.4	6.7
Total	11.5	2.5	12.7

- 9 CHF million higher restructuring costs than in HY1 2005
- Majority was attributable to Automotive Division (England, Netherlands, Spain)

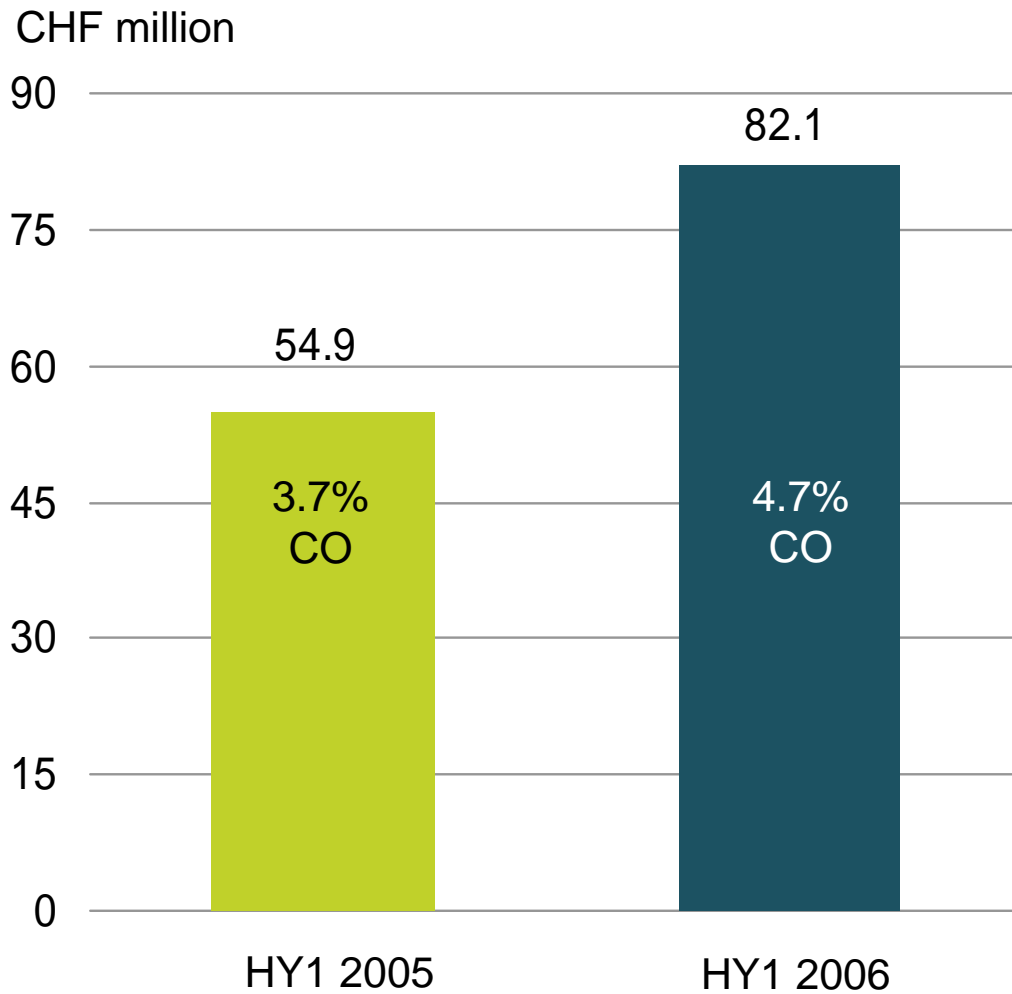
HY1: EBIT Margin



- Both divisions with margin improvement
- Textile Systems increased margin to very good level
- Restructuring lowered margin by 1.0% at Automotive Systems but margin is still higher than HY1 2005

CO = Corporate output

HY1: Net Profit



- Net profit increased by 50%
- Higher operating result
- Lower tax rate

CO = Corporate output

HY1: Balance Sheet



	30.06.06		31.12.05
	CHF million	in % of total assets	CHF million
Total assets	2'750.2	100.0	2'714.7
Non-current assets	1'149.6	41.8	1'159.6
Net working capital	379.5	13.8	256.1
Cash and cash equivalents/ marketable securities	340.9	12.4	430.5
Financial debt	366.4	13.3	333.8
Shareholders' equity	1'248.0	45.4	1'262.2

- Sales-related, seasonal increase in net working capital
- Slightly negative net liquidity
- Continued sound financial basis with solid equity capital ratio
- Move 200 CHF million bond from non-current to current liabilities

HY1: Free Cash Flow



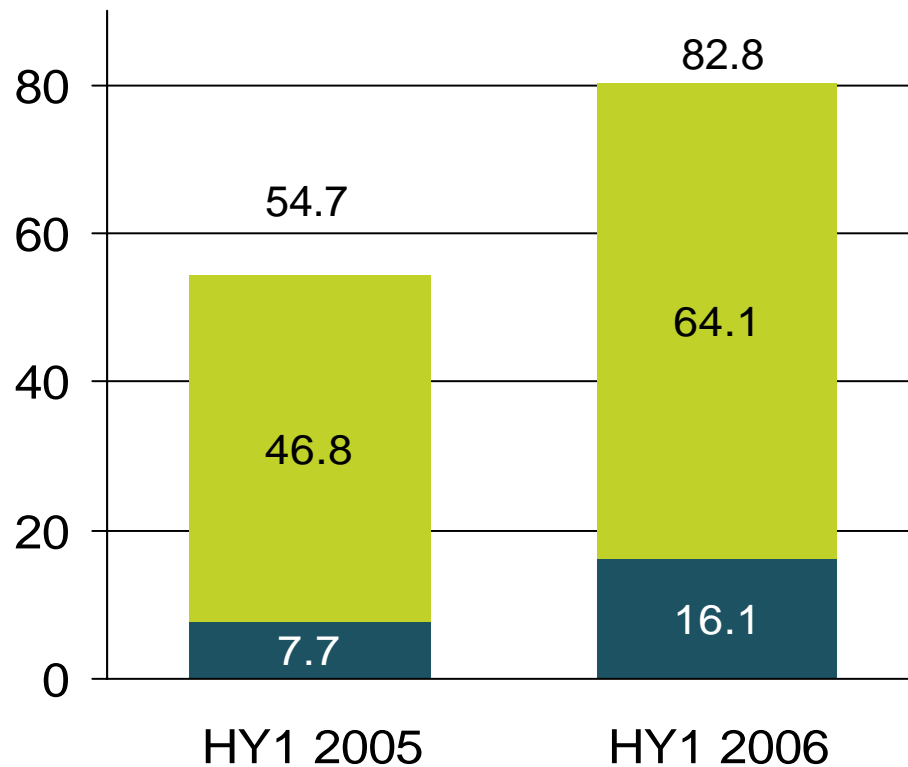
CHF million	HY1 2006	HY1 2005
Net profit	82.1	54.9
Cash flow	138.8	118.9
+/- Change in net working capital	- 122.9	- 106.4
+/- Capital expenditure on tangible and intangible assets, net	- 65.4	- 51.9
+/- Other changes	4.6	2.2
Free cash flow	- 44.9	- 37.2

- Improved cash flow
- Net working capital increase due to strong order intake and higher sales
- Higher capital expenditure

HY1: Capital Expenditure



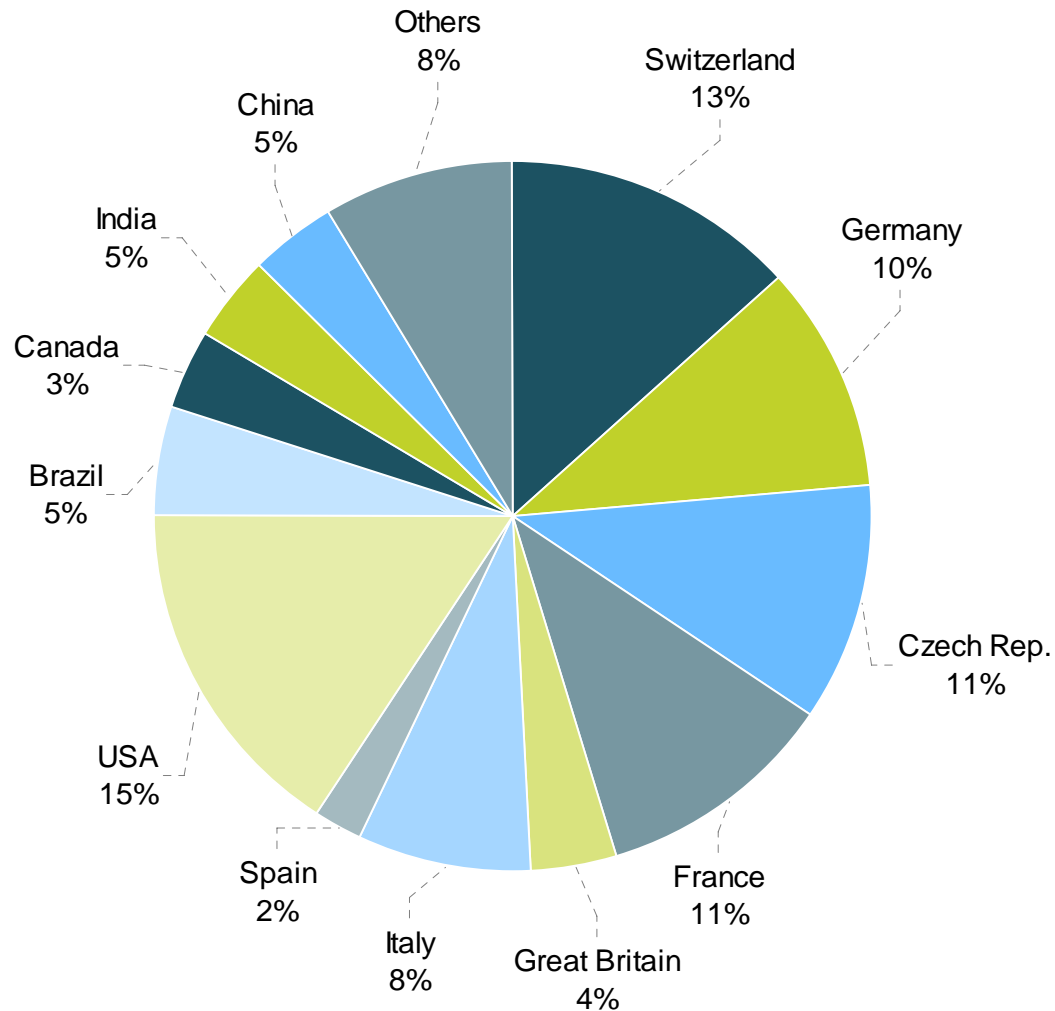
CHF million



■ Textile Systems ■ Automotive Systems

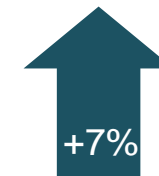
- Higher capital expenditure in HY1 2006
- Increase at Automotive due to new plants (follow the customer)
- Textile Systems increased capacities in low-cost countries

HY1: Percentage of Employees by Country



- Increase due to acquisitions (Graf +600) since June 30, 2005
- Also due to expansion of production capacities in low-cost countries (+700)
- 31% of all employees are in low-cost countries (30.6.2005: 28%)

2006: 14'914
 (June 30, 2006;
 June 30, 2005: 13'990)



Key Data per Share



Rieter registered shares of 5 CHF nominal value Bloomberg: RIEN, Reuters: RITZn	30.06. 2006	Change in %	30.06. 2005	31.12. 2005
Shares outstanding with dividend rights (end of period)	4'139'694	+1	4'112'752	4'164'274
Average shares (of period)	4'147'162	+1	4'111'660	4'120'304
Earnings per share CHF	18.82	+57	12.02	30.80
Share price (high/low) CHF	564/387		392/328	393/328

- EPS improvement of 57 %
- share price currently 24.6 % above 06 low and 14.5% below 06 high

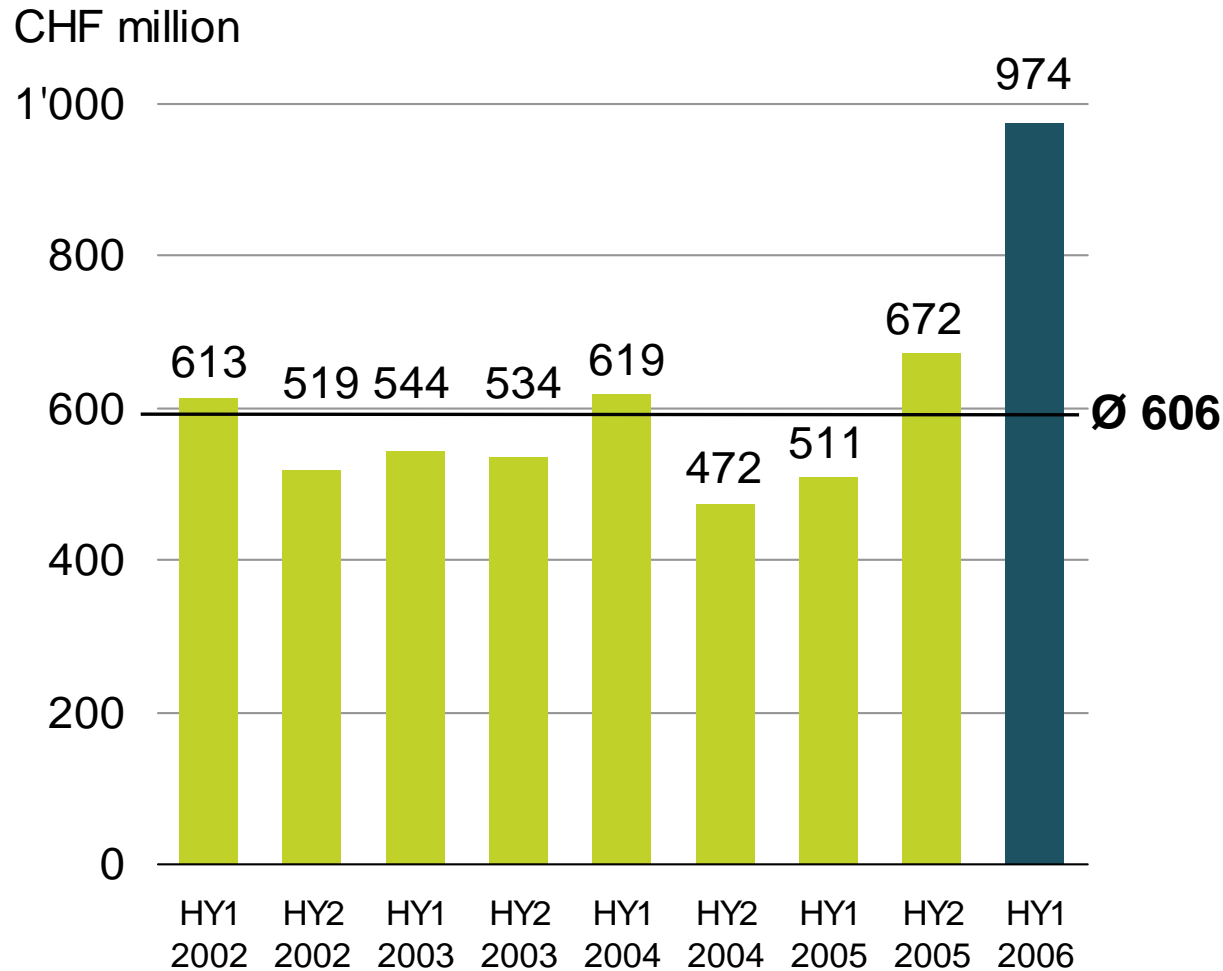
Textile Systems HY1 2006



Leading systems supplier in the spinning process

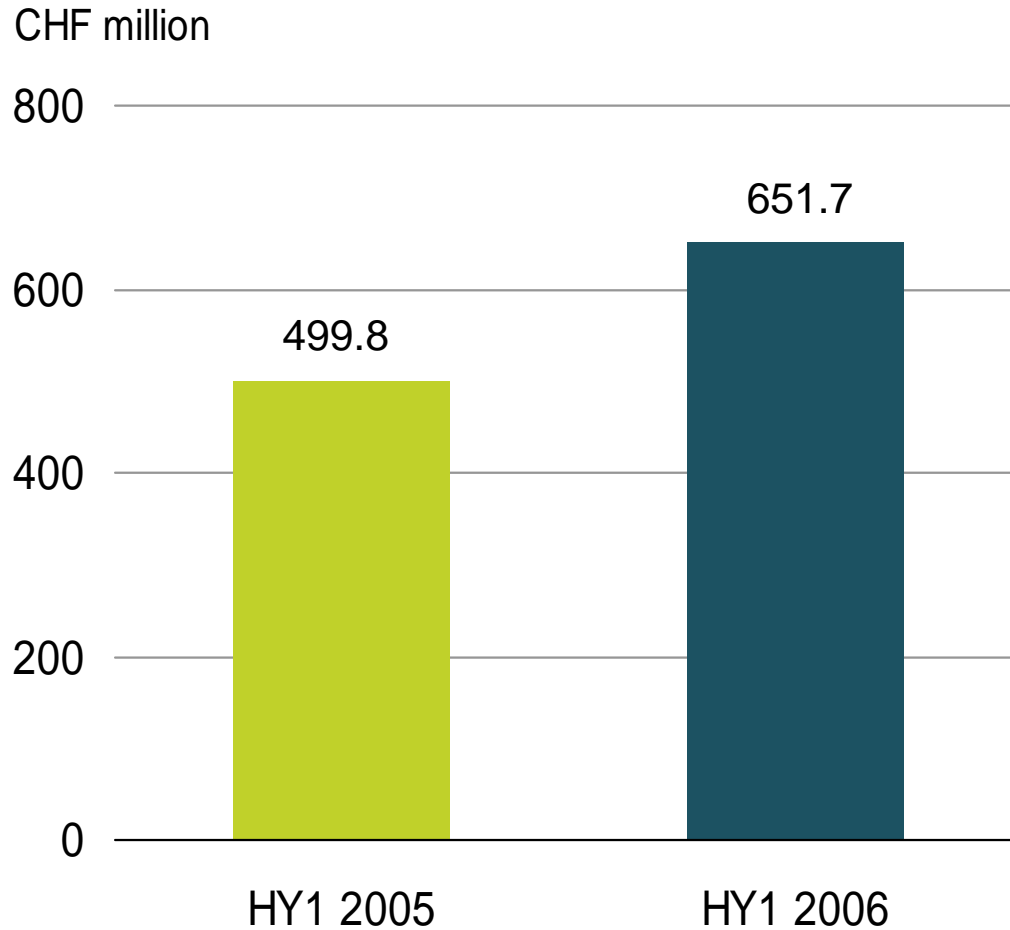


Textile Systems HY1: Orders Received



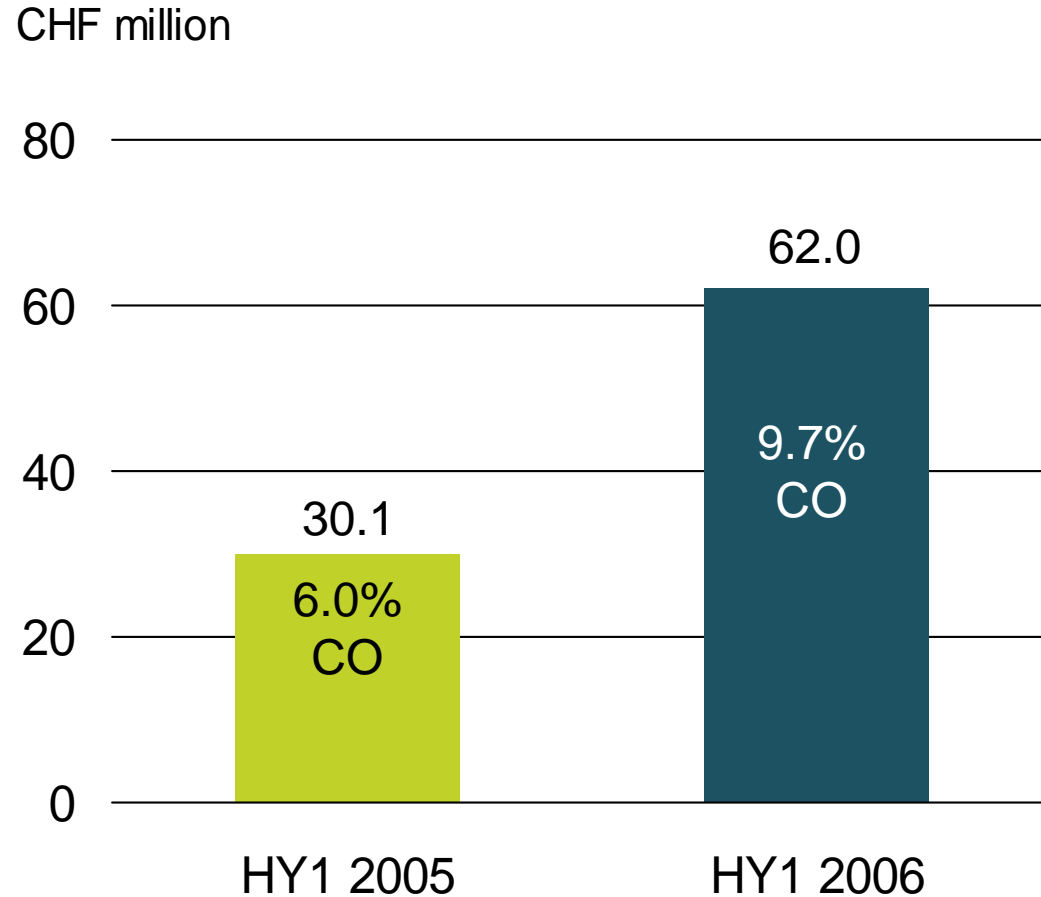
- Order intake almost doubled (+91%); acquisition and currency impact 11%
- Strong demand from India for staple fibre machinery
- Innovation and systems supplier position as growth drivers
- Further market revival in components and nonwovens business

Textile Systems HY1: Sales



- Sales increase of 30%, acquisition and currency effect 10%
- Higher capacity utilization and longer delivery times
- Most important markets were India, Turkey, China, Pakistan, South Korea and Bangladesh

Textile Systems HY1: Operating Result (EBIT)



- Doubling of EBIT and very good EBIT margin due to volume, good product mix, cost management
- Almost no restructuring cost in HY1
- Insufficient results at man-made fiber unit

CO = Corporate output

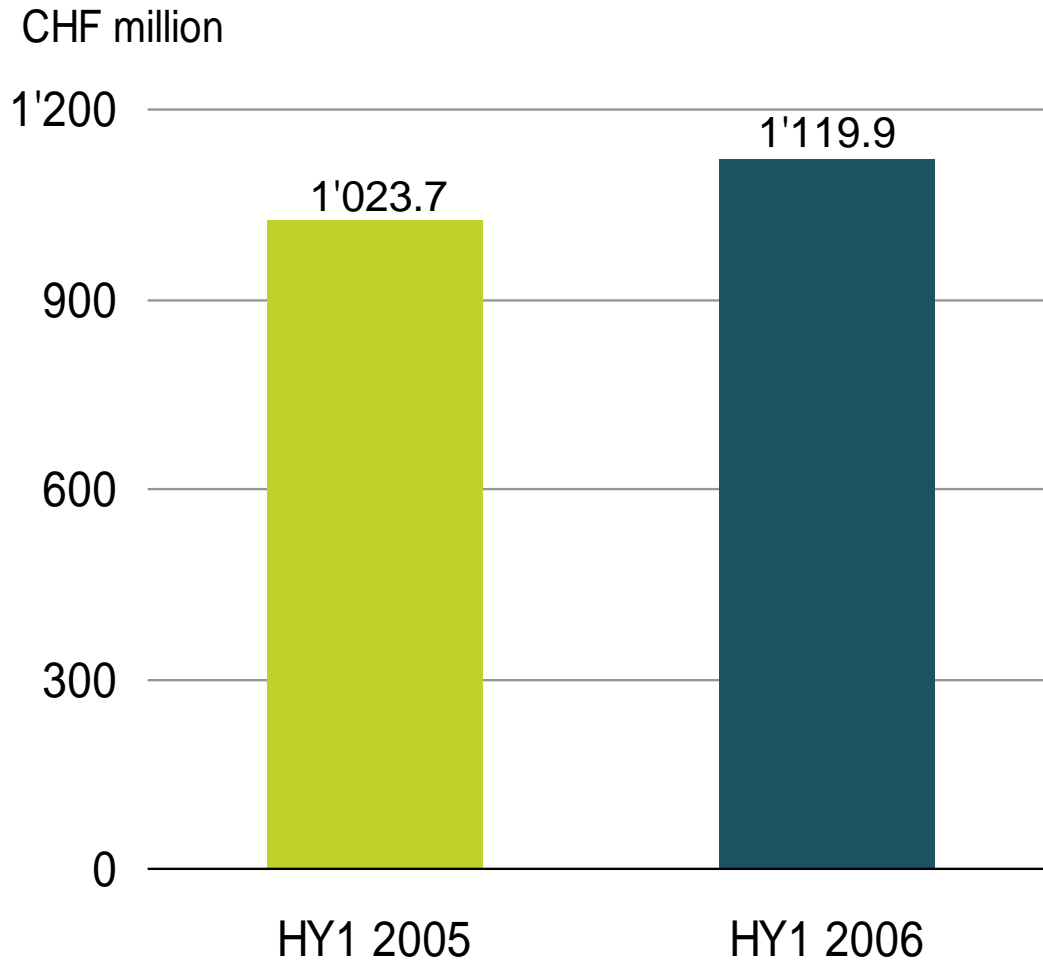
Automotive Systems HY1 2006



Leading supplier of integrated acoustics systems

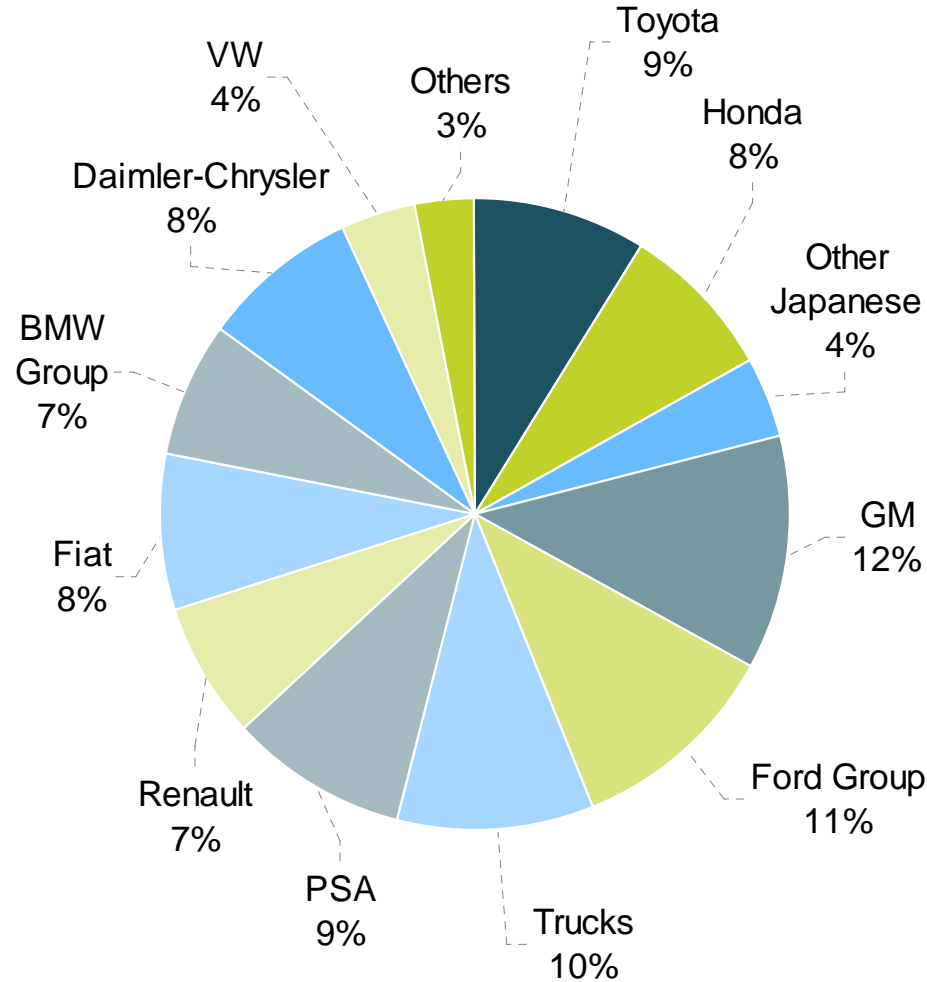


Automotive Systems HY1: Sales



- 9% sales growth despite stagnating markets in Western Europe and North America
- Organic growth in all regions
- Further expansion of business in Asia
- Positive currency impact (+4%)

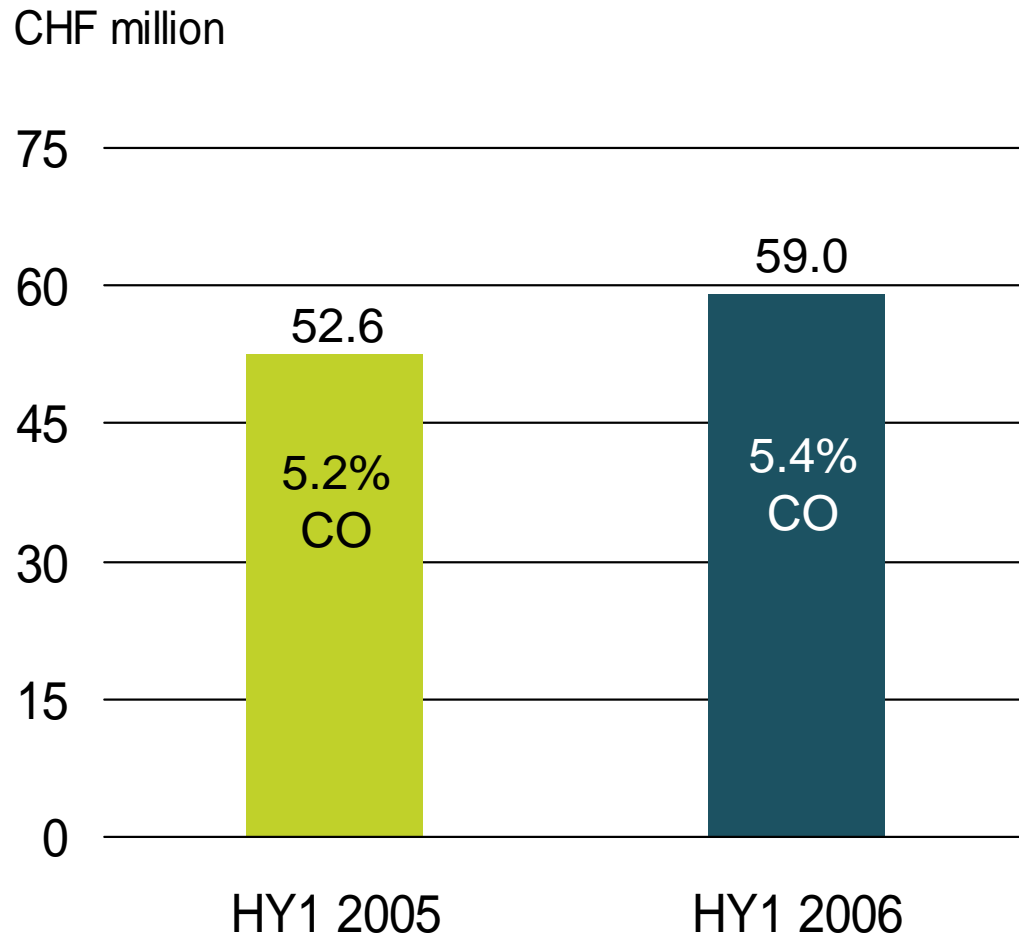
Automotive Systems HY1: Sales by Customer Group



Sales HY1 2006

- Broad customer portfolio
- Strong position with Japanese customers
- Basically the same distribution as in 2005

Automotive Systems HY1: Operating Result (EBIT)



- EBIT increased in spite of higher energy and material cost
- Innovative products
- Move of production capacities lead to lower efficiency at some locations
- Restructuring cost lowered EBIT by some 11 CHF million (HY1 2005: 2.5 CHF million)

CO = Corporate output



Strategy and Outlook 2006

Hartmut Reuter, Chief Executive Officer

Rieter Group: Strategy and Long-term Goals



- Continuation of the dual-strategy (successful for more than 20 years) based on the two pillars Textile Systems and Automotive Systems
- Profitable growth in both divisions by organic growth and acquisitions
- A very solid financial position allows strategic development of both divisions
 - Innovation (products, systems, machines)
 - Expansion of presence in Asia and Eastern Europe
 - Acquisitions to close gaps and to enlarge product portfolio
- Long-term financial objectives
 - 5% organic growth p.a.
 - 8% EBIT margin
 - 5% profit margin

Strategy Textile Systems



Current situation

- Market leader for staple fiber machines and systems as well as associated technology components
- Niche supplier for man-made fiber machinery
- Well represented in nonwovens market with a promising future

Strategic Steps Textile Systems



- 1) Strengthen leading market position in staple fibers through innovation
- 2) Expansion of presence in Asia
- 3) Strengthening of market position for technology components
- 4) Strengthening of nonwovens machinery business

Current situation

- Acknowledged as technology leader for acoustic and thermal management in motor vehicles
- Market for acoustic and thermal management is growing faster than overall automotive production
- Good market position in Europe, North and South America and successful partnership with Nittoku/Japan
- Potential in the growth markets Eastern Europe and Asia, especially China and India

Strategic Steps Automotive Systems



- 1) Product innovation for internal growth
- 2) Strengthening of our market position in Europe and America
- 3) Expansion in the growth markets in Asia

Automotive Systems

- UK plant will be partly closed at the end of 2006
- Dutch plant will be closed in mid 2007
- Plant of Rieter Saifa in Barcelona area restructured

Textile Systems

- Ingolstadt reorganized
- Chemical fiber business strategy under review

- **Textile Systems**

- Rieter expects significantly higher sales and earnings from operating activities for 2006

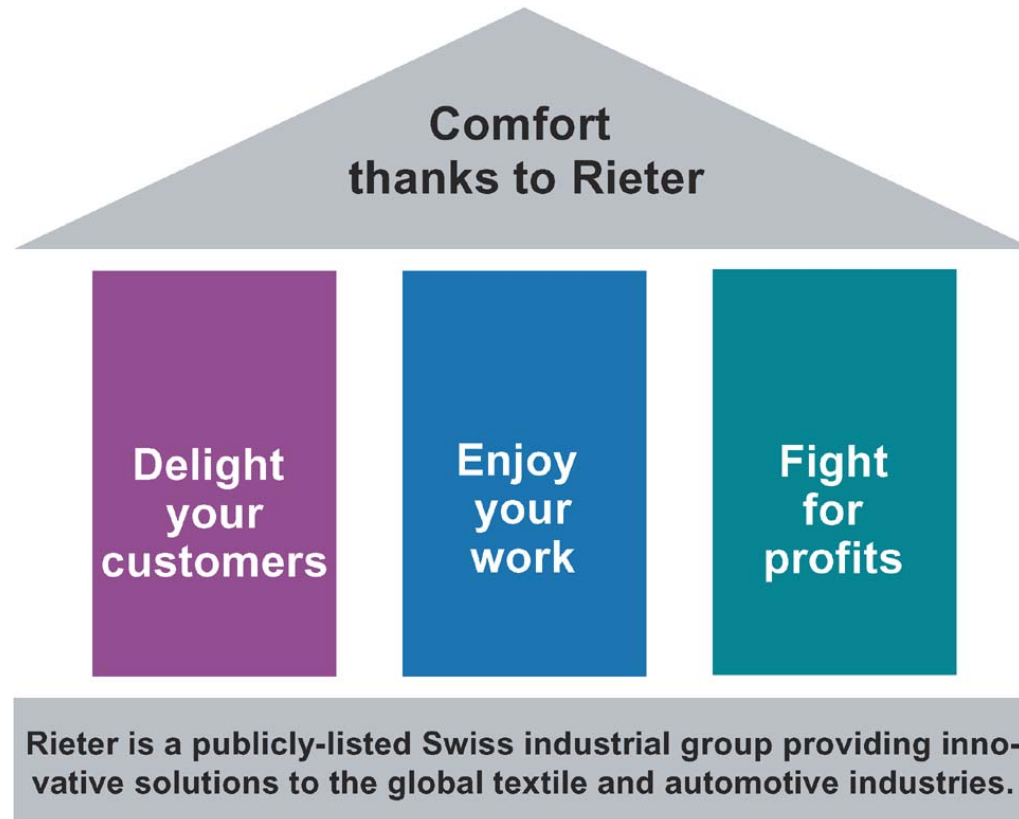
- **Automotive Systems**

- Sales and operating result for 2006 higher than in 2005 in spite of restructuring costs

- **Group**

- Significant sales growth for 2006 (at unchanged exchange rates) and a further improvement of operating profitability
- Continuous effort of Rieter to adapt to the changing market environments

Rieter Group: Values and Principles



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