

## 2007 Half-Year Results - August 15, 2007

**RIETER**



Presentation by

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

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- **Introduction and Highlights of HY1 2007** Hartmut Reuter
- Financial Results HY1 2007 Urs Leinhäuser
- Outlook Hartmut Reuter



# Introduction and Highlights of HY1 2007

Hartmut Reuter, Chief Executive Officer

# Rieter Reports a further Rise in Sales and Profits

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“Sales, operating result, net profit and EPS reached a new record level, in spite of challenges in Rieter’s automotive division.”

Hartmut Reuter  
CEO Rieter Group

- **Order intake on record level**
  - The Textile Systems division optimally exploited favourable market conditions to realize for the first time a half-year order intake of more than one billion CHF
- **Strong organic sales growth in both divisions**
- **Marked increase in EBIT and net profit**
  - Results on all-time high
  - Strong free cash flow
  - Solid balance sheet
- **Share buyback program announced**

- **Expansion program launched for Textile Systems in India**
  - We have started to significantly enlarge the existing plant in Pune with new production and assembly capacities; further steps prepared
- **Above average sales growth at Automotive Systems**
  - Important new car programs
- **Start-up problems in England**
  - High number of new orders
  - Production relocations in England caused start-up problems with a negative impact on our profitability

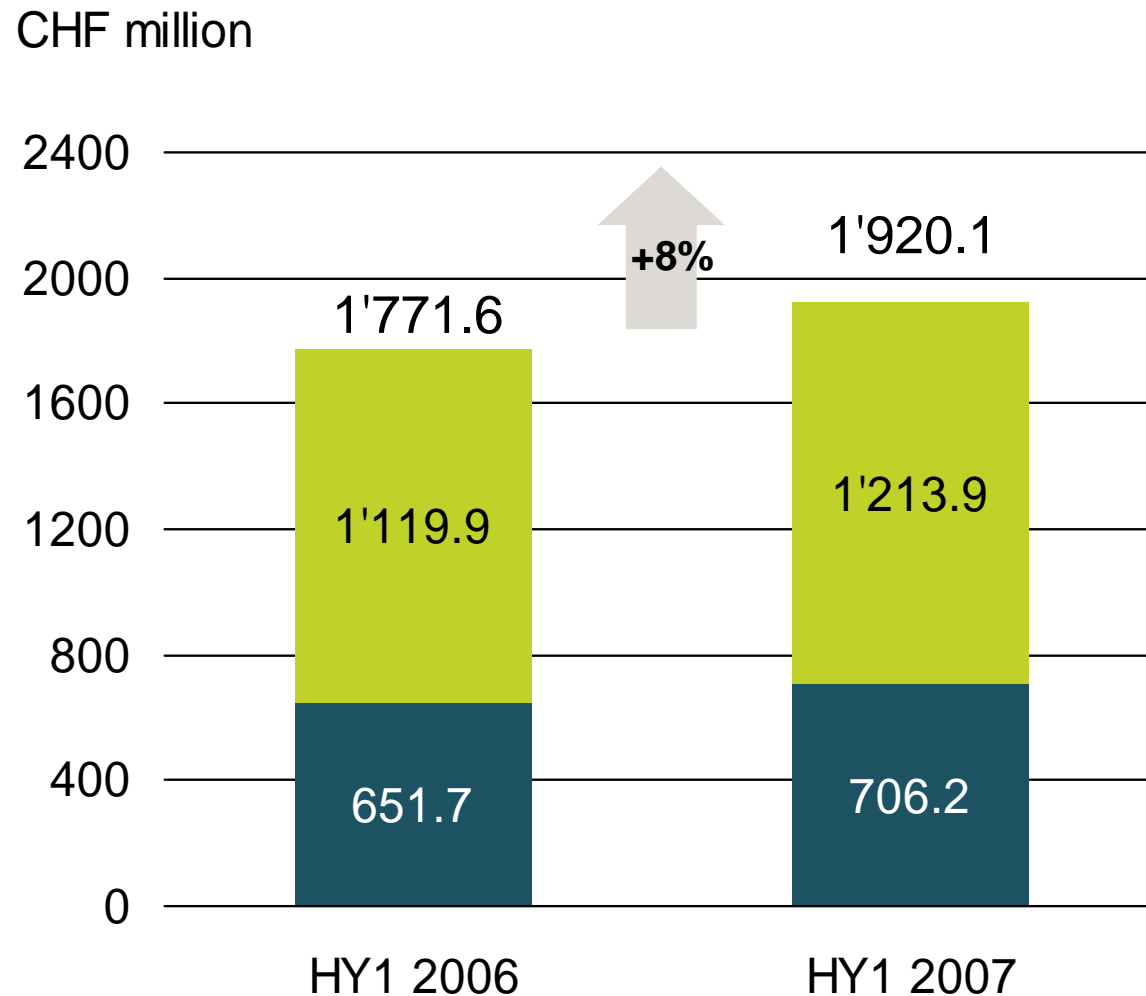




# Financial Results HY1 2007

Urs Leinhäuser, Chief Financial Officer

# HY1: Sales by Division



- Sales adjusted for divestitures and currency effects rose by 9%
- Textile Systems took full advantage of favourable market conditions in Asia
- Thanks to optimal product portfolio and strong sales organization in Asia
- Automotive Systems exceeded market average and achieved organic growth despite stagnating production in main markets

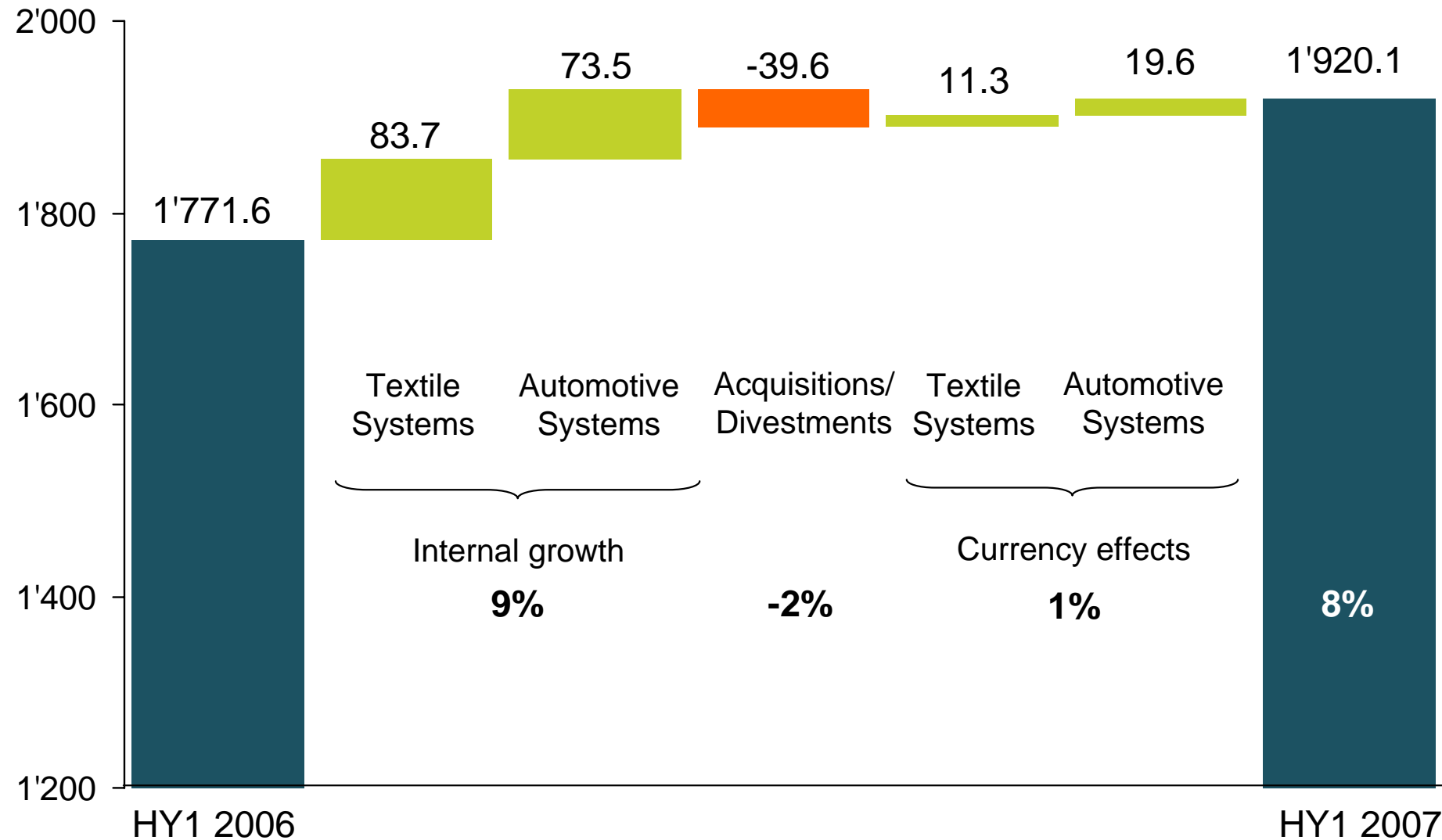
■ Textile Systems ■ Automotive Systems



# HY1: Sales Development

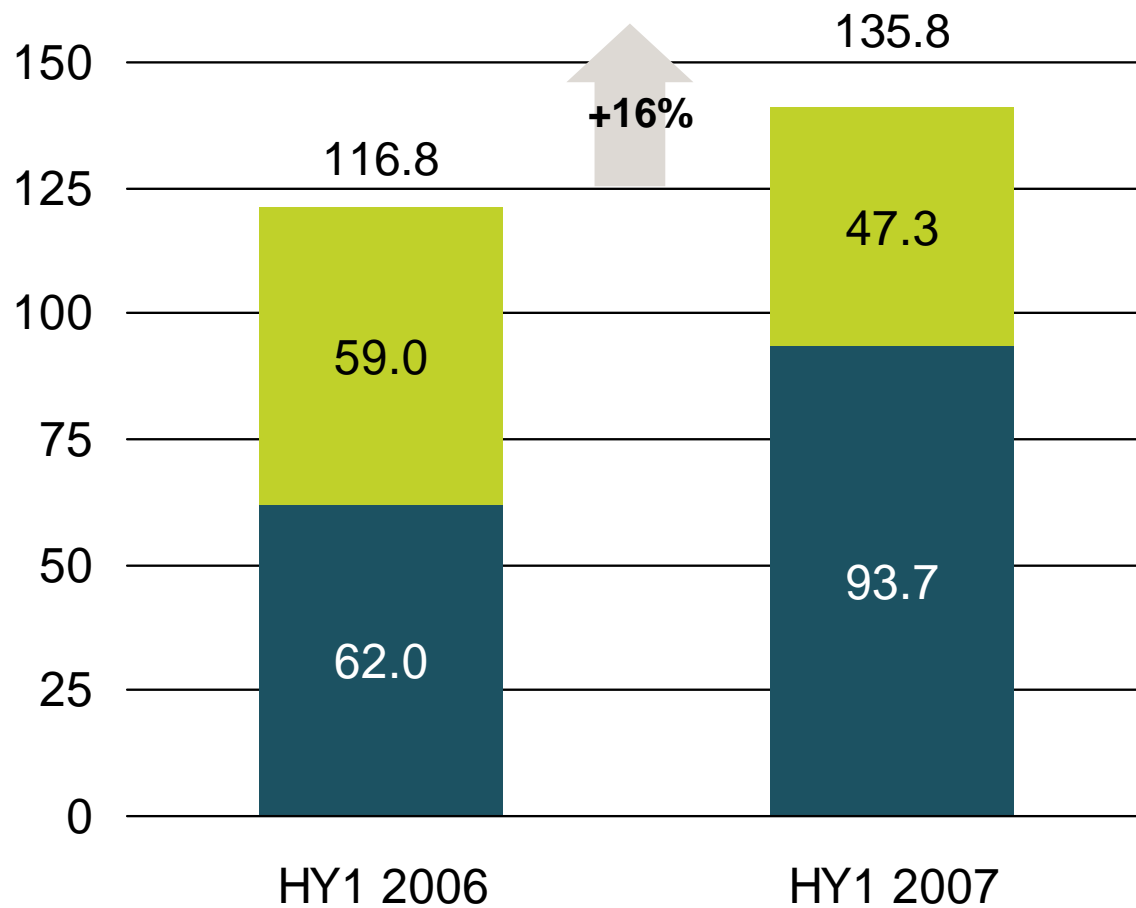


CHF million



# HY1: Operating Result (EBIT)

CHF million

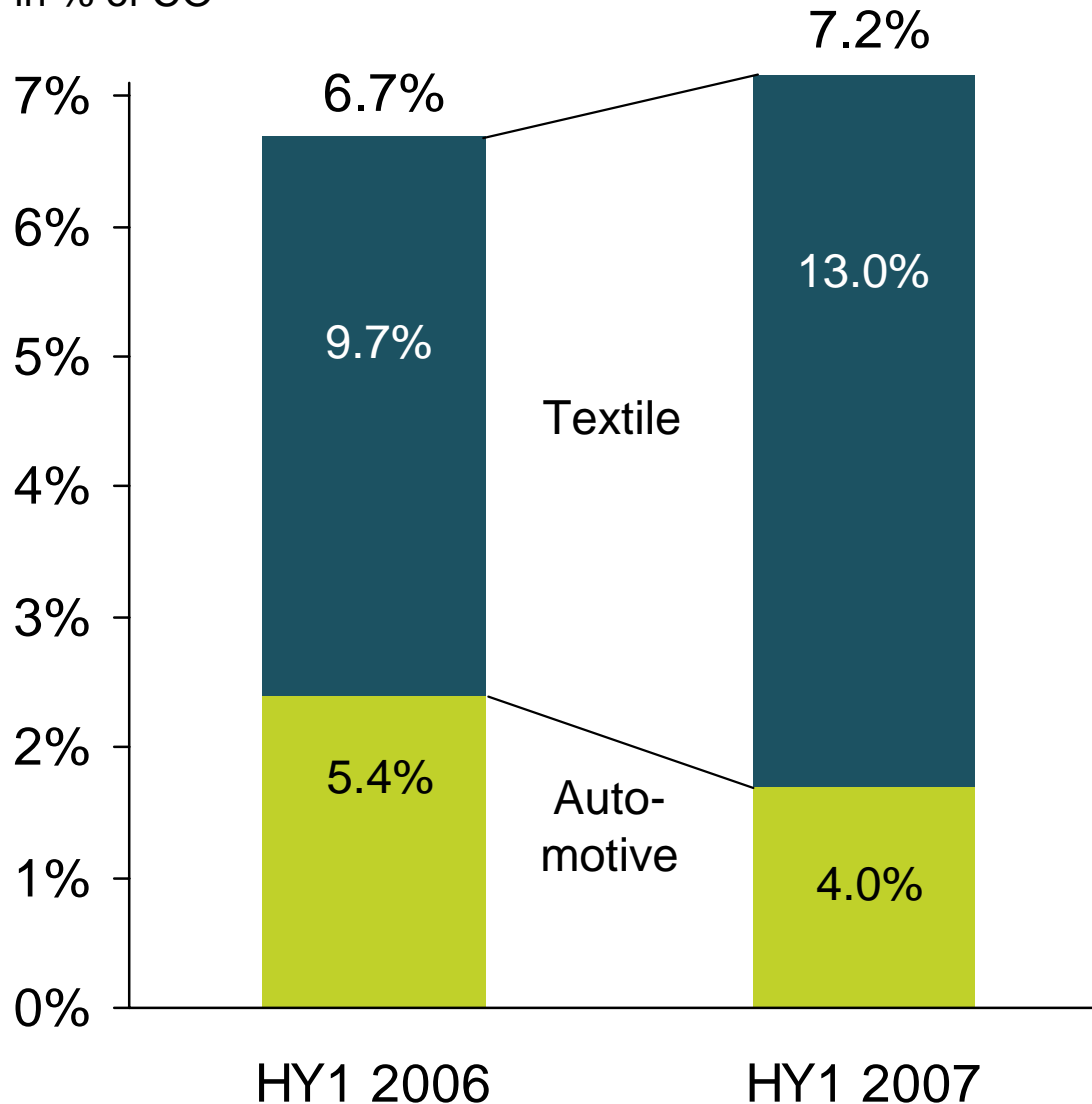


- Operating result (EBIT) rose by 16 percent
- Improvement due to Textile Systems' good operating performance
- Automotive EBIT declined

■ Textile Systems ■ Automotive Systems

# HY1: EBIT Margin

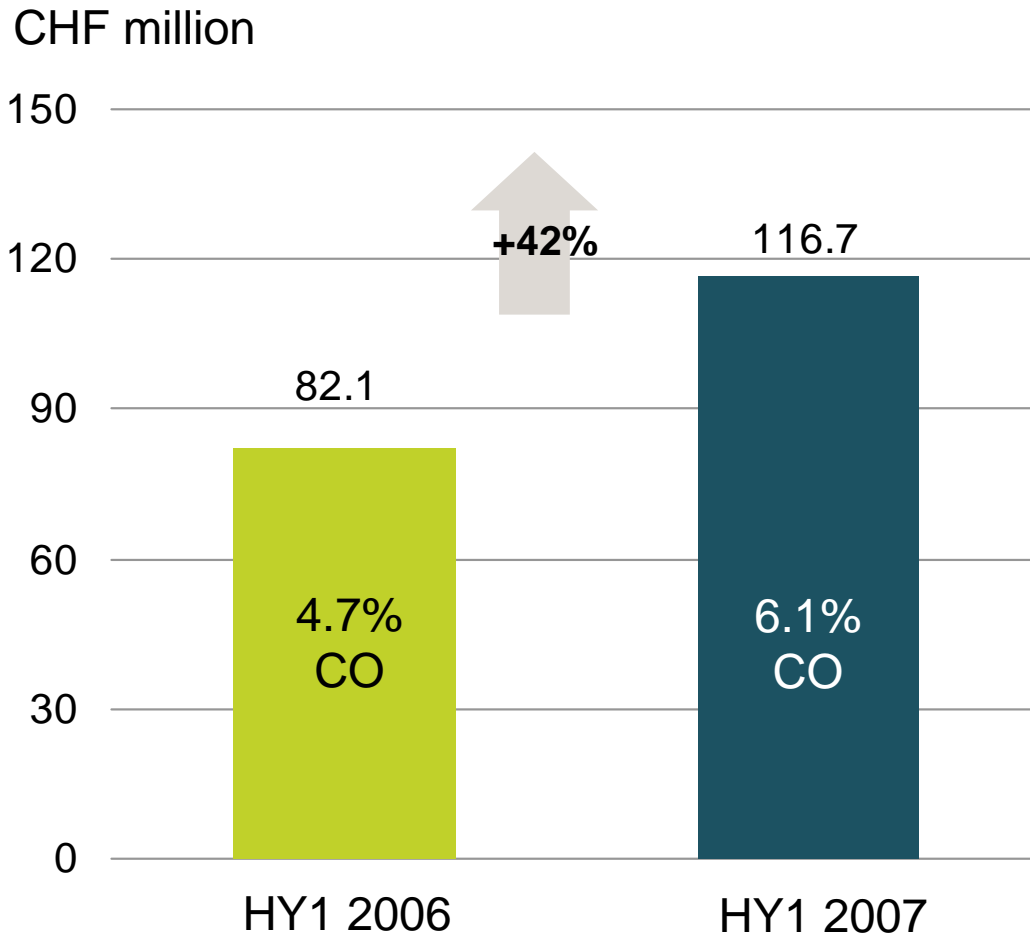
in % of CO



- Textile Systems increased the EBIT margin to a record level of 13.0%
- The weaker EBIT margin of Automotive Systems clearly did not meet internal objectives

CO = Corporate output

# HY1: Net Profit



- Net profit increased by 42%
- Higher operating result and very good financial result (+27.1 million CHF vs. HY1 2006)
- Slightly lower tax rate (30% vs. 32% in HY1 2006)

CO = Corporate output

# HY1: Balance Sheet



	30.06.07		31.12.06
	CHF million	in % of total assets	CHF million
Total assets	<b>2'778.7</b>	100.0	2'884.6
Non-current assets	<b>1'171.9</b>	42.2	1'152.0
Net working capital	<b>385.5</b>	13.9	327.4
Cash and cash equivalents/ marketable securities	<b>289.4</b>	10.4	474.3
Financial debt	<b>145.6</b>	5.2	327.0
Shareholders' equity	<b>1'435.7</b>	51.7	1'375.4

- Sound financial basis
- Sales-related, seasonal increase in net working capital
- 200 CHF million bond repaid
- Solid equity capital ratio
- Share buyback program announced

# HY1: Free Cash Flow



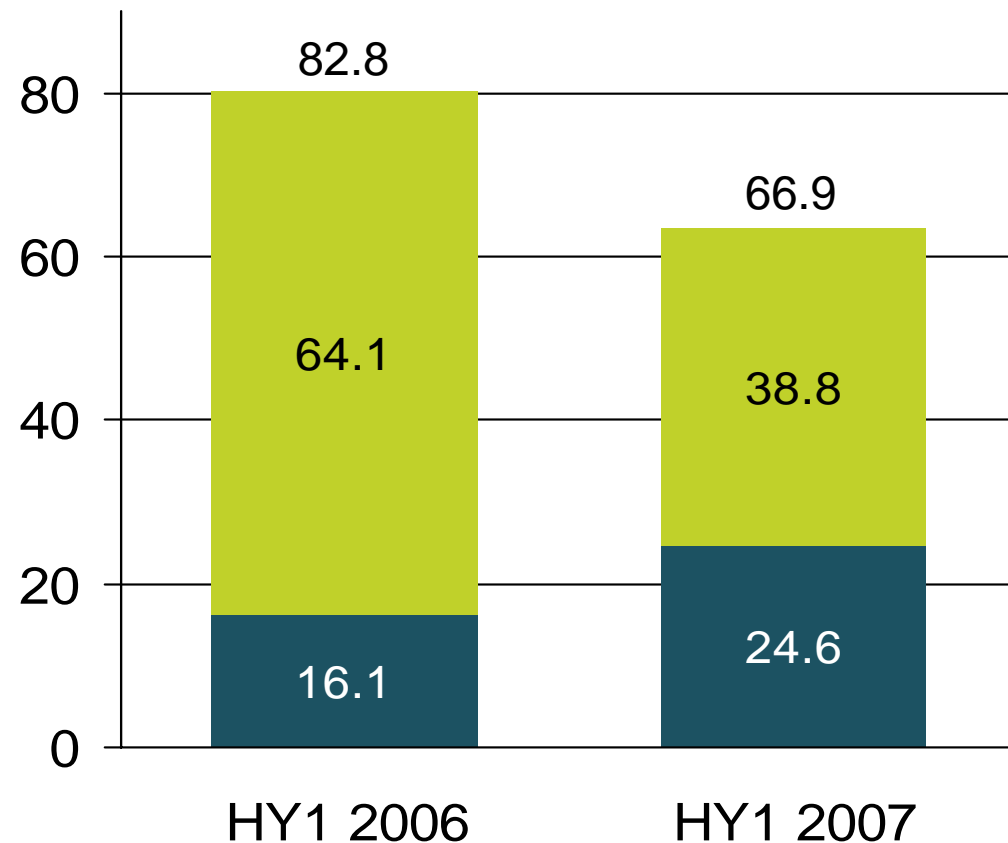
CHF million	<b>HY1 2007</b>	HY1 2006
Net profit	<b>116.7</b>	82.1
<b>Cash flow</b>	<b>193.7</b>	138.8
- Change in net working capital	<b>- 36.4</b>	- 122.9
- Capital expenditure	<b>- 66.9</b>	- 82.8
+ Disposals of tangible assets	<b>2.3</b>	17.4
-/+ Other changes	<b>-5.6</b>	4.6
<b>Free cash flow</b>	<b>87.1</b>	- 44.9

- Cash flow rose by 40%
- Seasonal increase of net working capital lower than 2006
- Lower capex
- Free cash flow improved by 132 million CHF
- Dividend to Rieter shareholders in HY1 2007: 62 million CHF
- Repayment of 200 million CHF bond



# HY1: Capital Expenditure

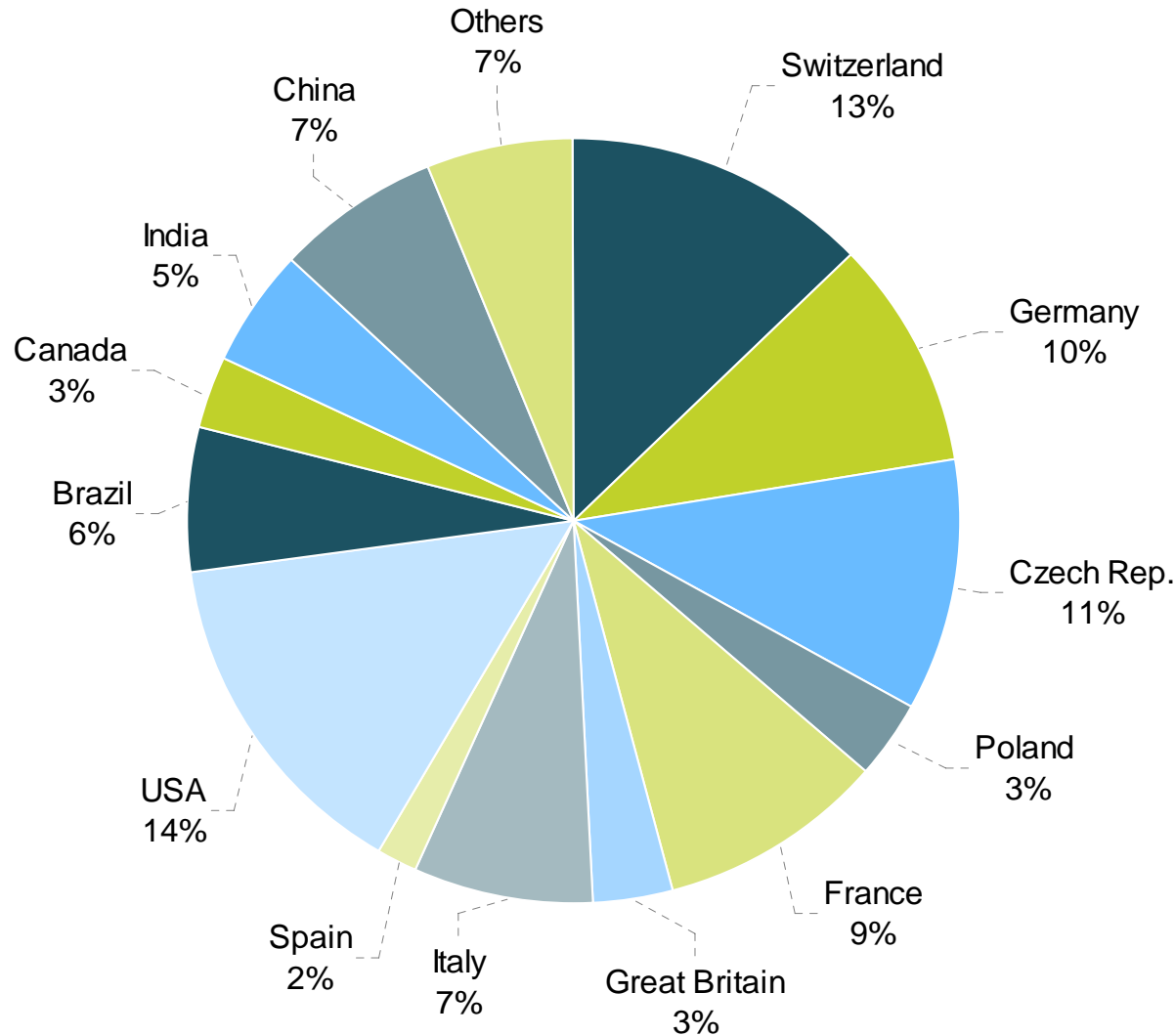
CHF million



■ Textile Systems ■ Automotive Systems

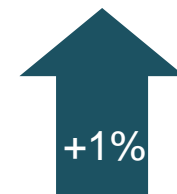
- Lower capital expenditure in HY1 2007
- Decrease at Automotive Systems
- Increase at Textile Systems due to expansion of production and assembly capacities
- Capex will be higher in HY2 2007 mainly because of accelerated relocation of capacities to emerging countries

# HY1: Percentage of Employees by Country



- The slight increase is primarily attributable to the expansion of Automotive Systems production capacities in low-cost countries.
- 35% of all employees are in low-cost countries (30.6.2006: 31%)
- Divestiture of manmade fiber activities with 230 employees, mainly in France and CH

**2007: 15'062**  
(June 30, 2006: 14'914)



# Key Data per Share



Rieter registered shares of 5 CHF nominal value Bloomberg: RIEN, Reuters: RITZn	<b>30.06. 2007</b>	<b>Change in %</b>	<b>30.06. 2006</b>	<b>31.12. 2006</b>
<b>Shares outstanding with dividend rights</b> (end of period)	4'137'937	~0	4'139'694	4'174'342
<b>Average shares</b> (of period)	4'156'570	~0	4'147'162	4'149'946
<b>Earnings per share</b> <b>CHF</b>	<b>26.40</b>	<b>+40</b>	<b>18.82</b>	<b>35.53</b>
<b>Share price</b> (high/low)      CHF	717/590		564/387	641/387

- EPS improvement of 40 %

# Textile Systems



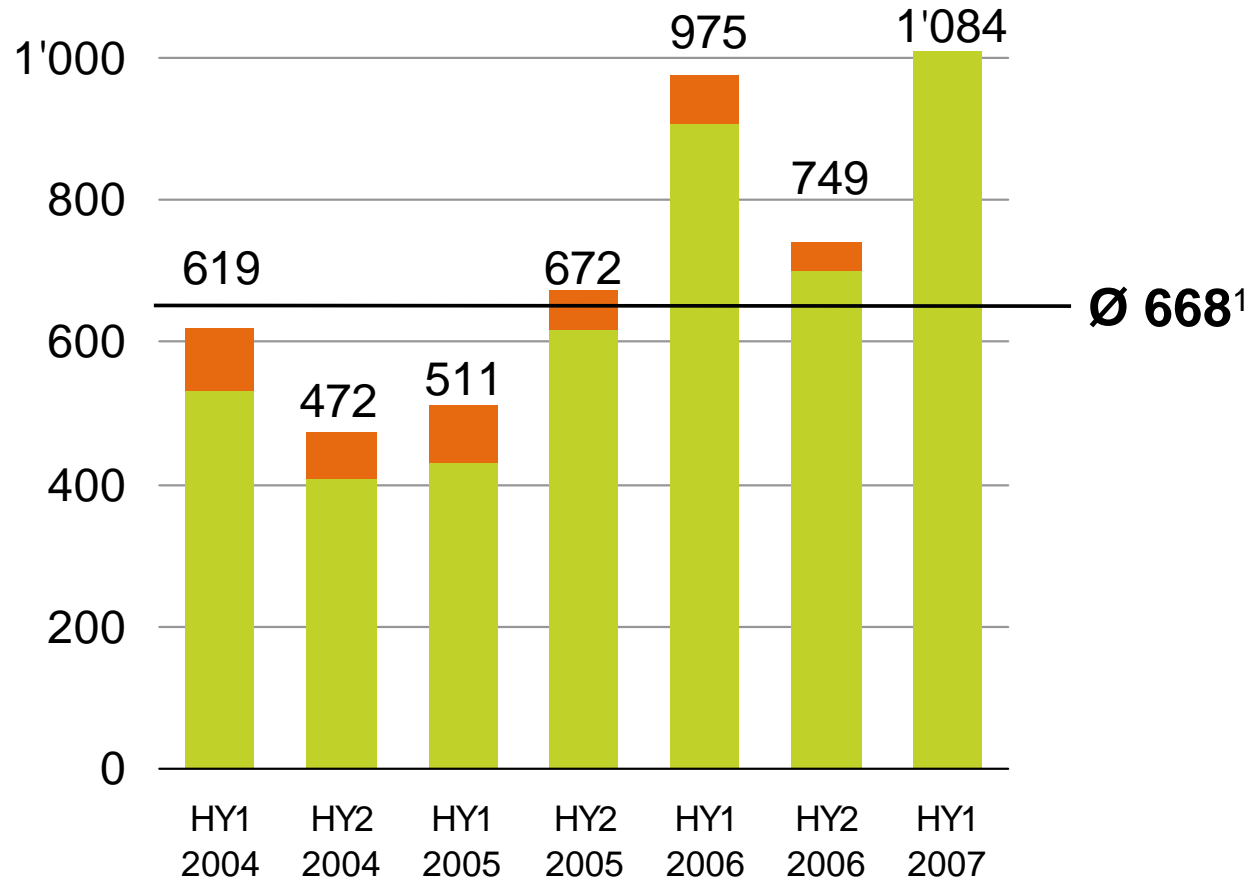
Leading systems supplier in the spinning process



# Textile Systems HY1: Orders Received



CHF million

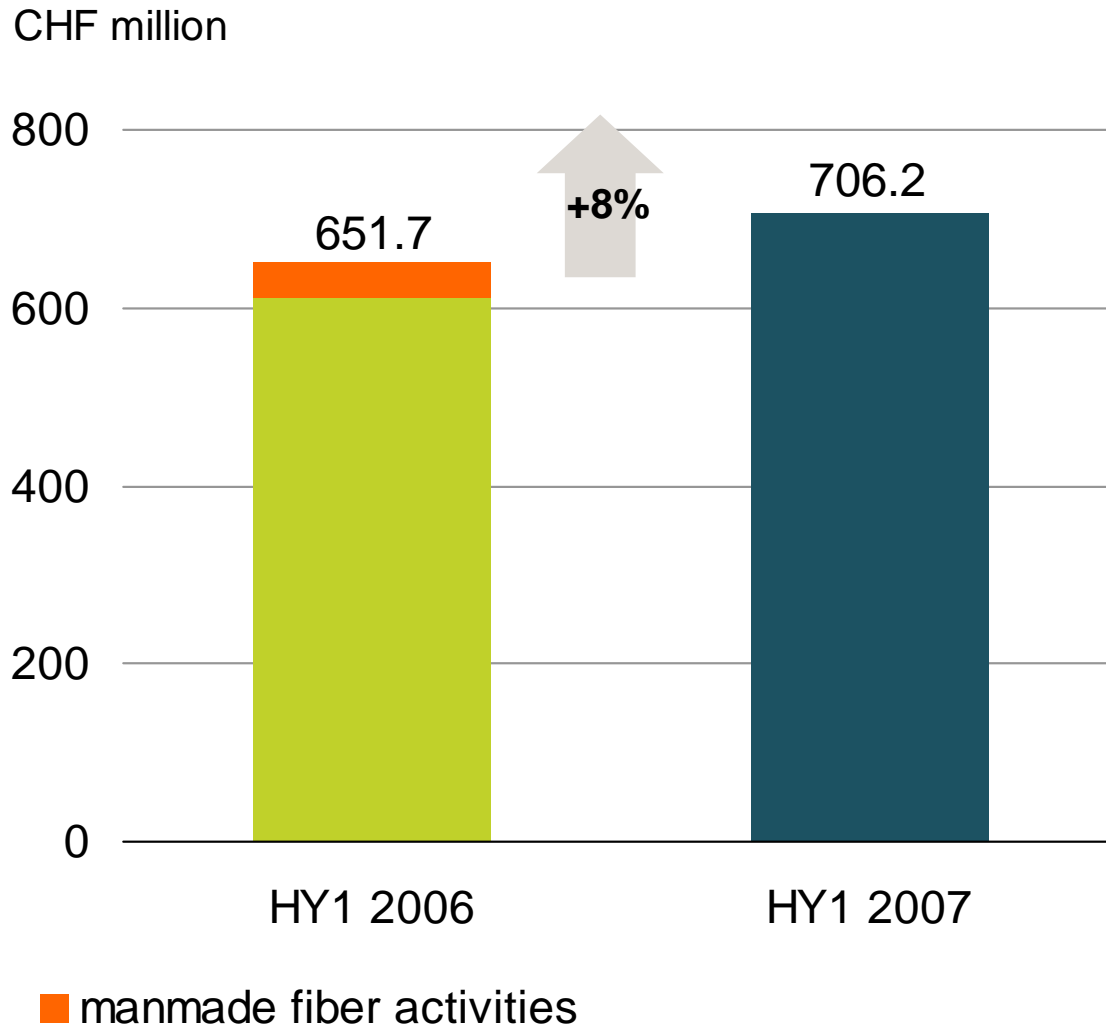


- Order intake above very high level of 2006 (+ 18% adjusted)
- Half-year order intake of more than 1 billion for the first time
- Asian countries and staple yarn machinery primary growth drivers
- Good market conditions for components and nonwovens business

■ Orders received ■ Part of divested manmade fiber activities

<sup>1</sup> adjusted for divestiture

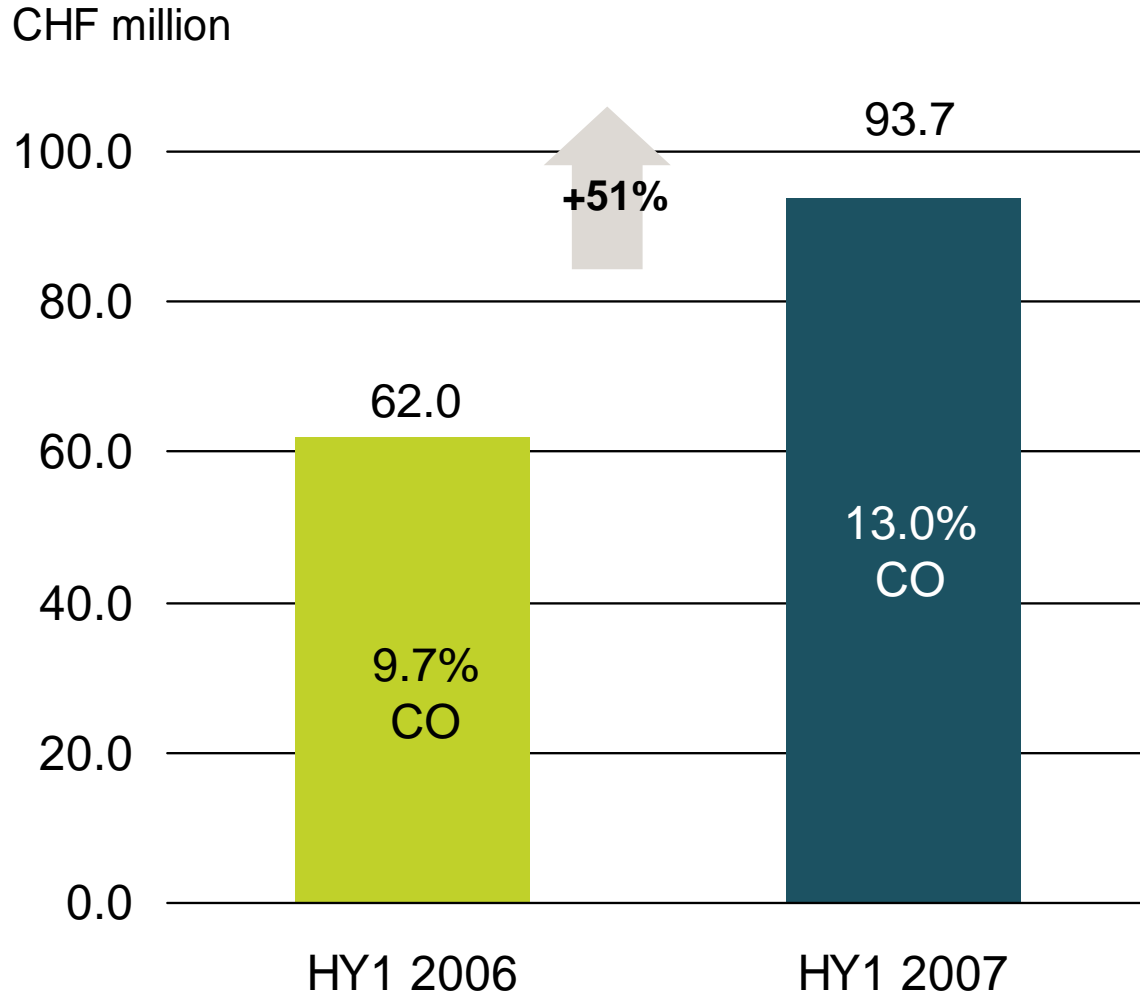
# Textile Systems HY1: Sales



- Sales (adjusted) increased by 14%
- Volume of orders received exceeded delivery capacities
- Most important delivery volumes were recorded in India, Turkey, China



# Textile Systems HY1: Operating Result (EBIT)



- EBIT margin increased to record level of 13.0%
- Drivers are higher volumes, cost management and the divestiture of the manmade fiber activities

CO = Corporate output

# Automotive Systems HY1 2007

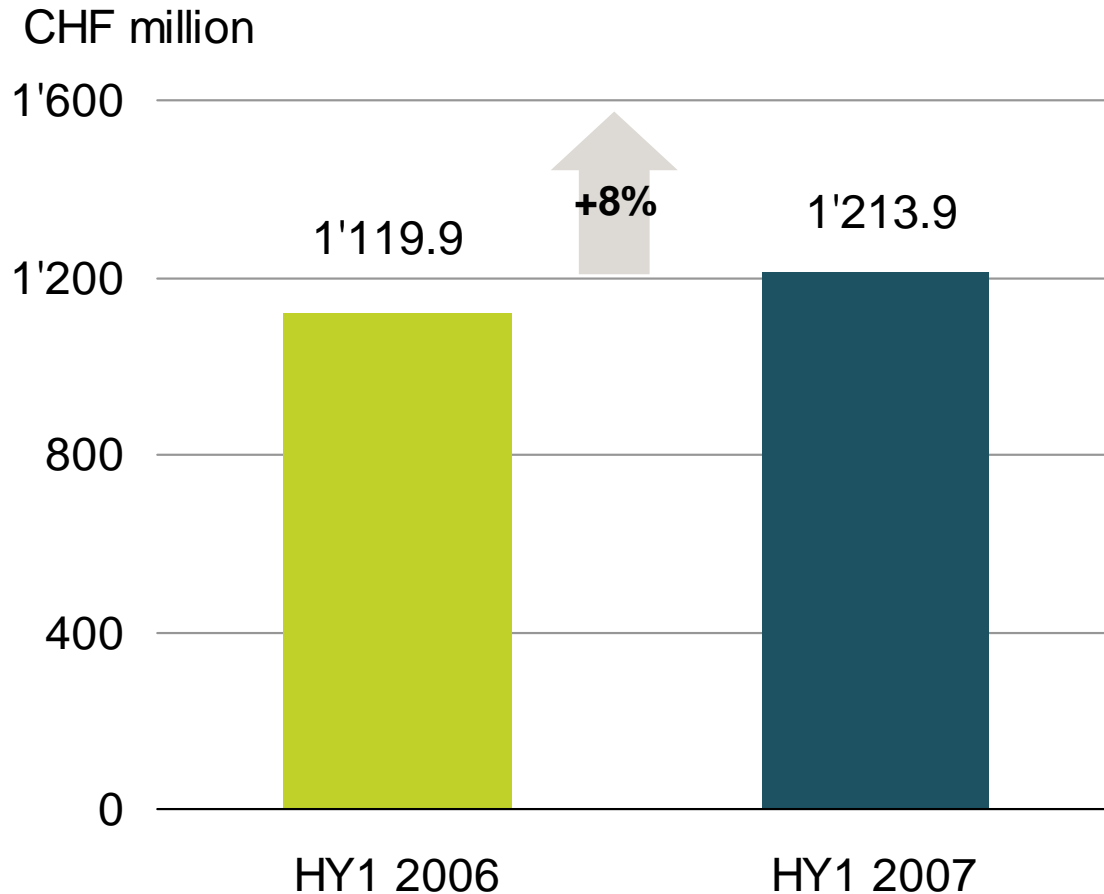
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**RIETER**

Leading supplier of integrated acoustics systems

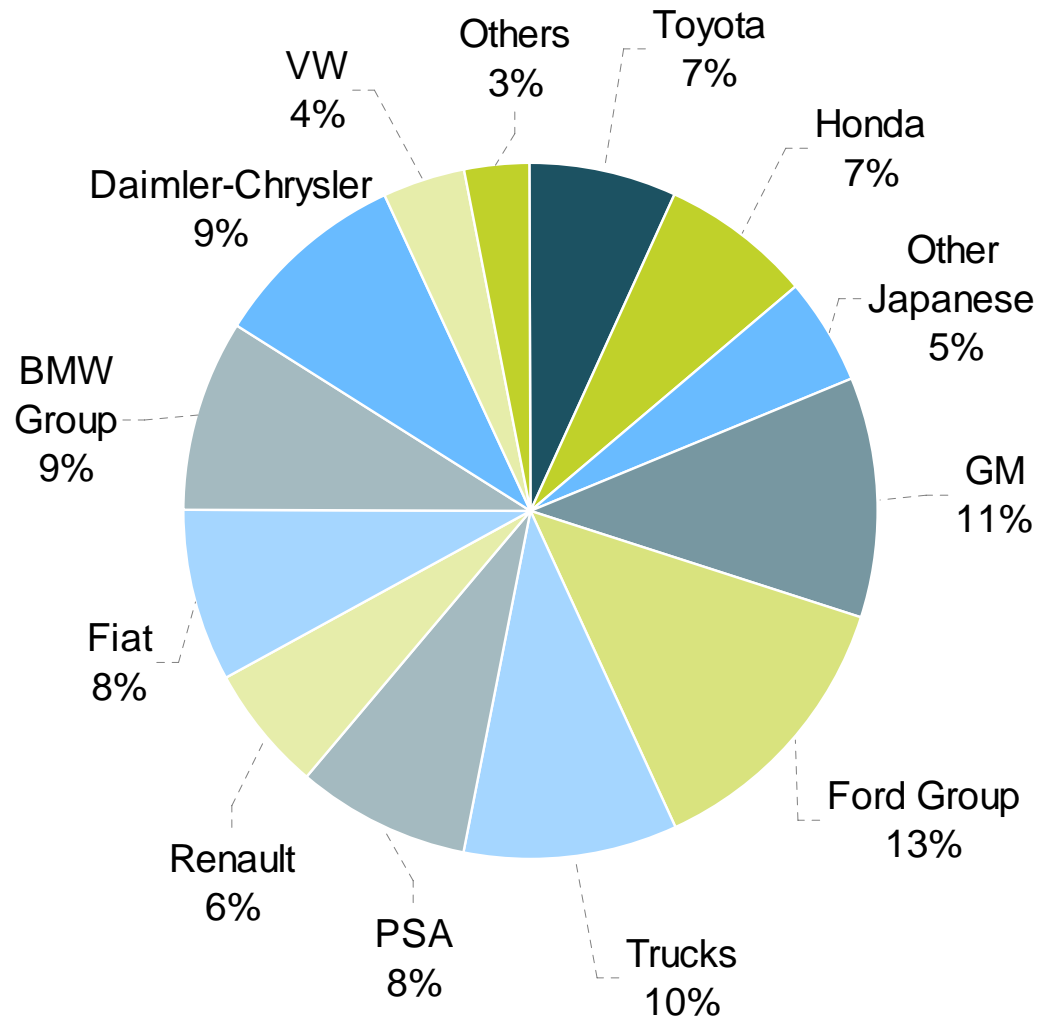


# Automotive Systems HY1: Sales



- Sales rose by 8%
- Sales increase above market average
- Gain of market shares among OEMs in Europe and North America
- Organic growth in all regions

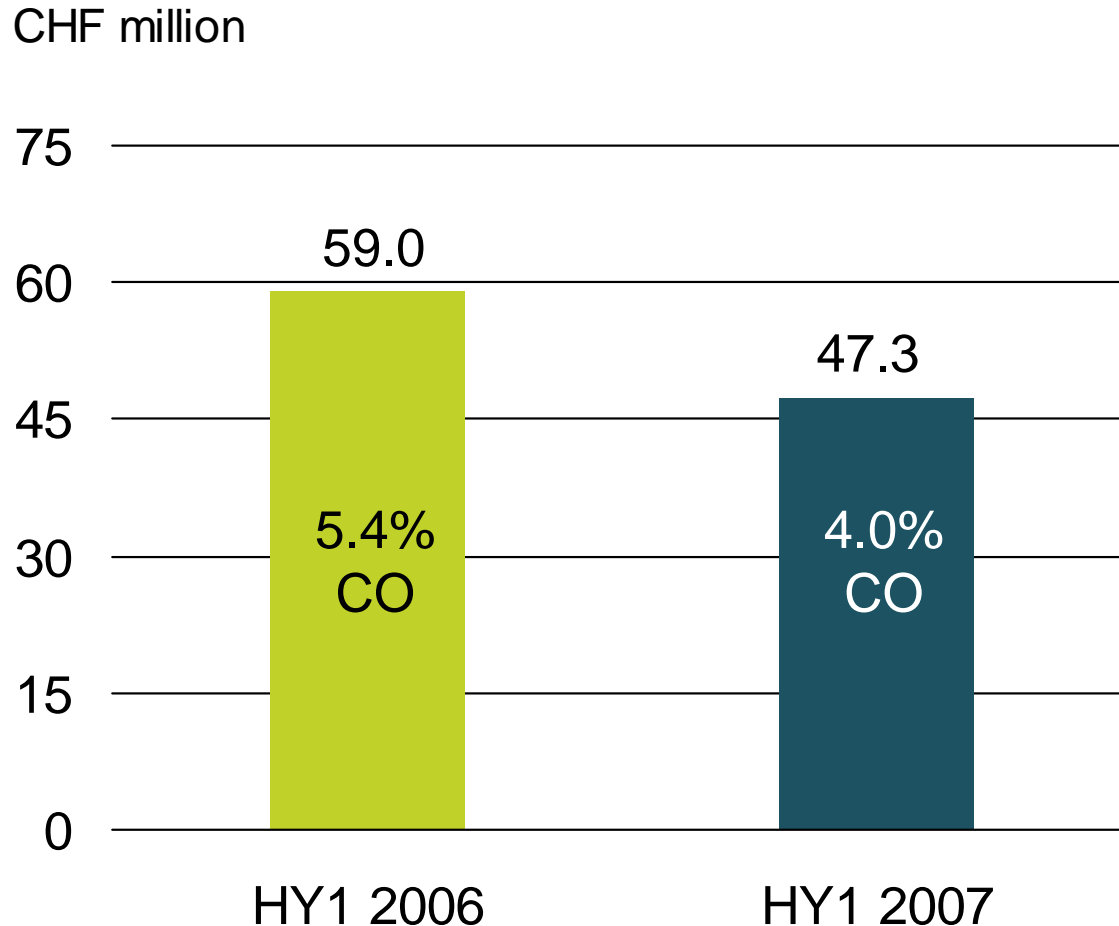
# Automotive Systems HY1: Sales by Customer Group



**Sales HY1 2007**

- Broad customer portfolio
- Basically the same distribution as in 2006, more sales for BMW Group and Daimler-Chrysler in HY1
- Strong position with Japanese customers (approx. 20%)
- First projects for our truck activities in Asia

# Automotive Systems HY1: Operating Result (EBIT)



- Operating result weaker in HY1 and below internal objectives
- EBIT margin 1.4 percentage points lower
- Due to higher raw material costs (+1.6% of CO), higher energy costs and problems with production relocations in England

CO = Corporate output







# Boom for Textile Systems (1)

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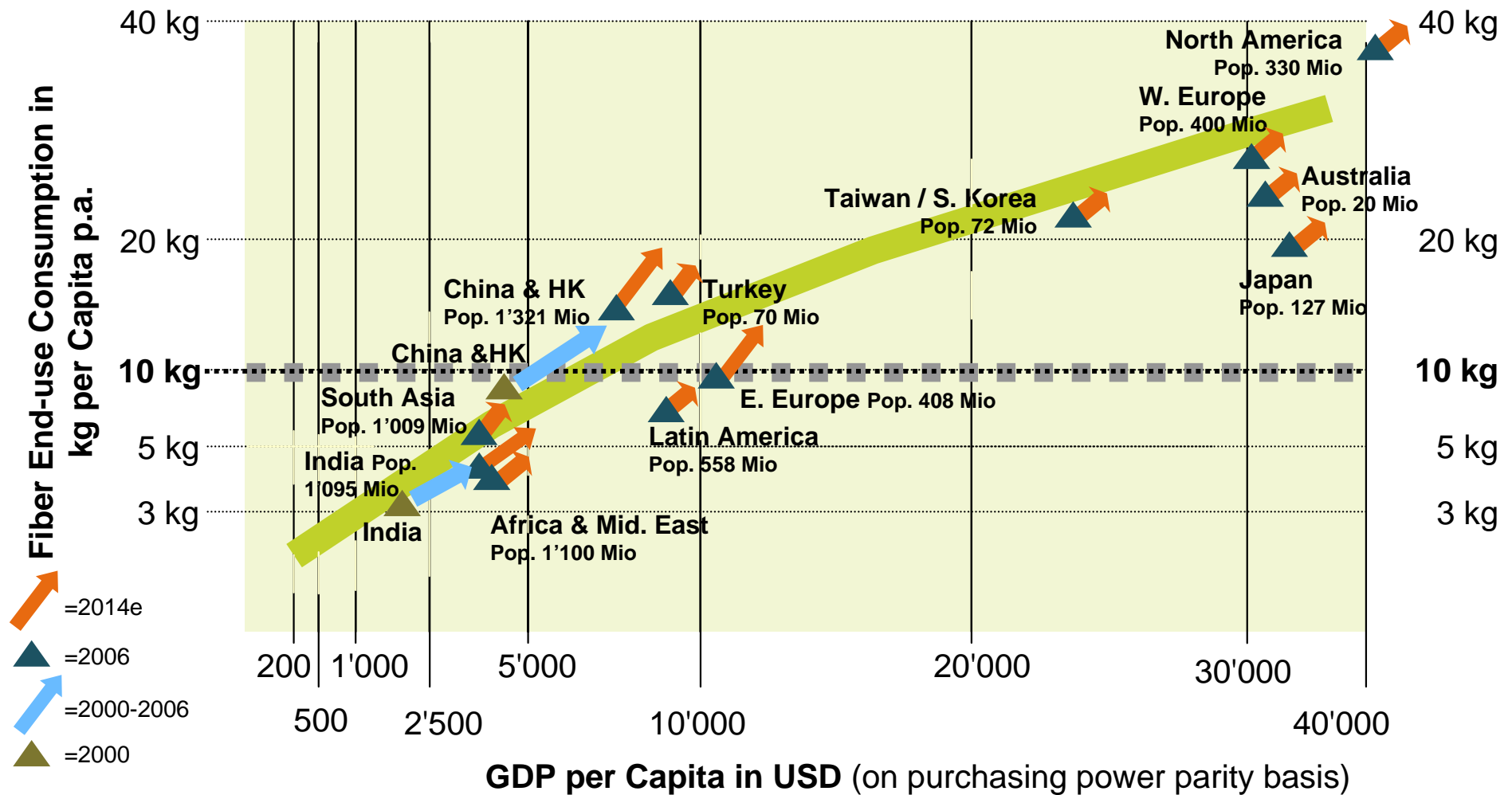
## Reasons

- GDP: Increasing wealth in Asian countries leads to increased fiber consumption
- Increased shipment of new equipment to Asia
- Replacement demand higher due to higher installed capacities
- Trend to quality yarns in emerging markets and to according quality machinery

# World Market Short Staple – Demand Drivers

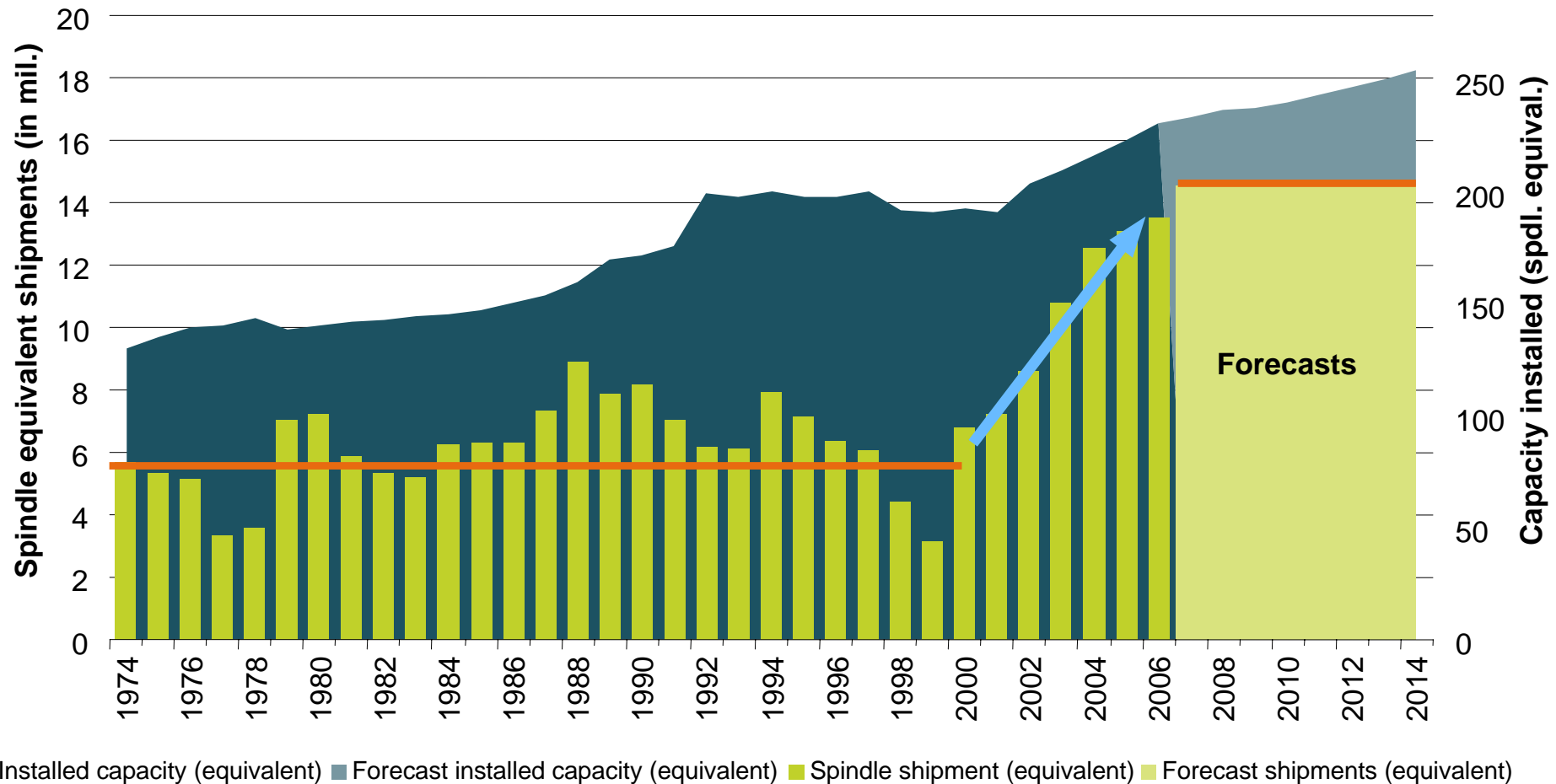
Growth in GDP per capita – especially in China and India – is driving the increase in demand for fibre

Development of GDP and fibre consumption per capita 2006 – 2014



# World Market Short Staple

The market for short staple has been changing to a higher level with a positive outlook both on installed capacity and spindle equivalent shipments



## Boom for Textile Systems (2)

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### Measures

- Expansion program in India and China
- Extension of product portfolio in Asia (local production)
- Innovation

BUT: We still expect volatility also in the future.

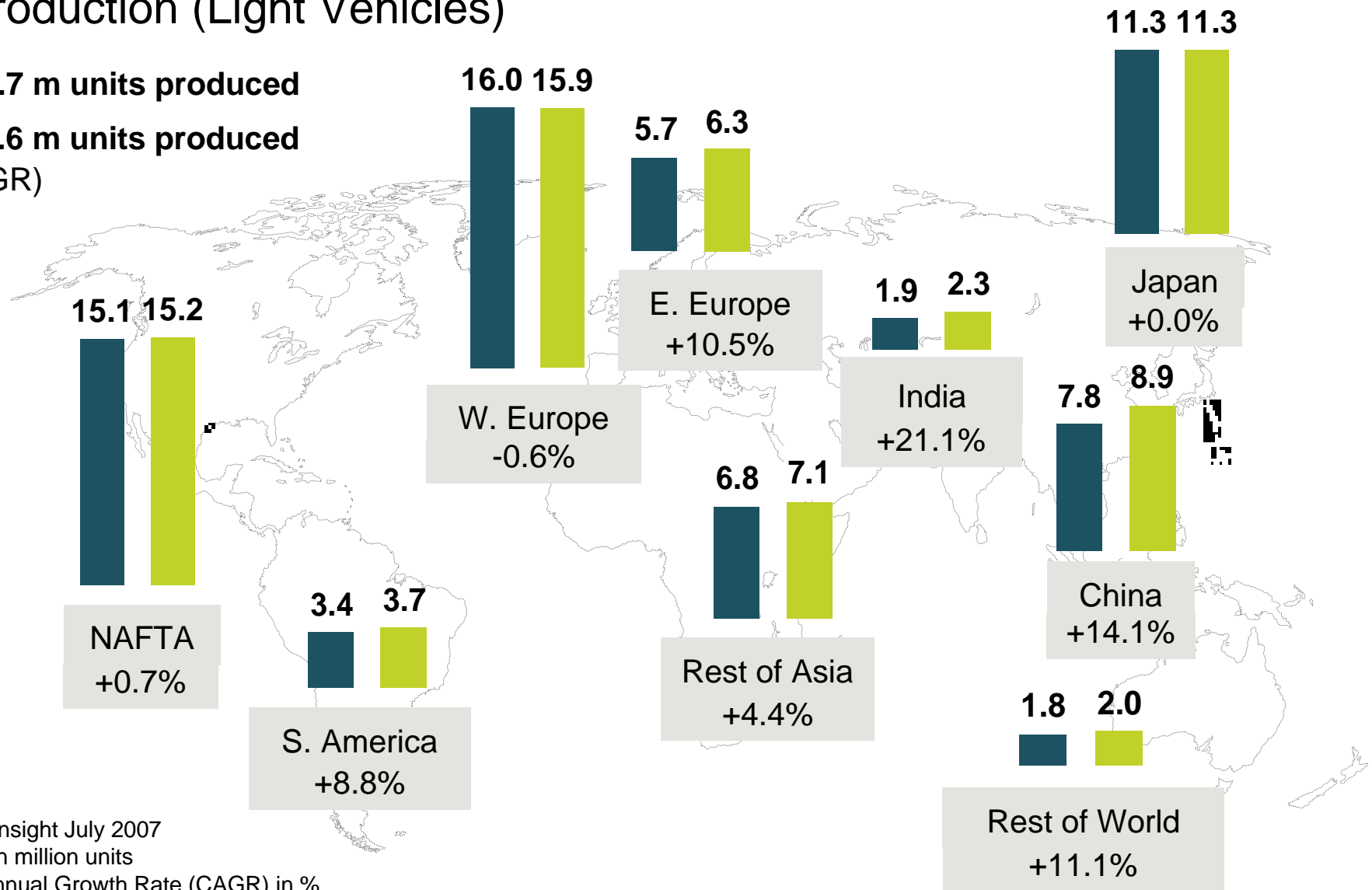
# Global Light Vehicle Production (2007 vs. 2008)

## World Production (Light Vehicles)

■ 2007: 69.7 m units produced

■ 2008: 72.6 m units produced

(+4.2% CAGR)



Source: Global Insight July 2007

Car production in million units

Compounded Annual Growth Rate (CAGR) in %

# Improvement Measures Automotive Systems

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- Personal changes in the management on European level and in England
- Some organizational changes
- Strengthening of productivity improvement teams
- Renewal of discussions with customers to better share external cost increases



- **Textile Systems**

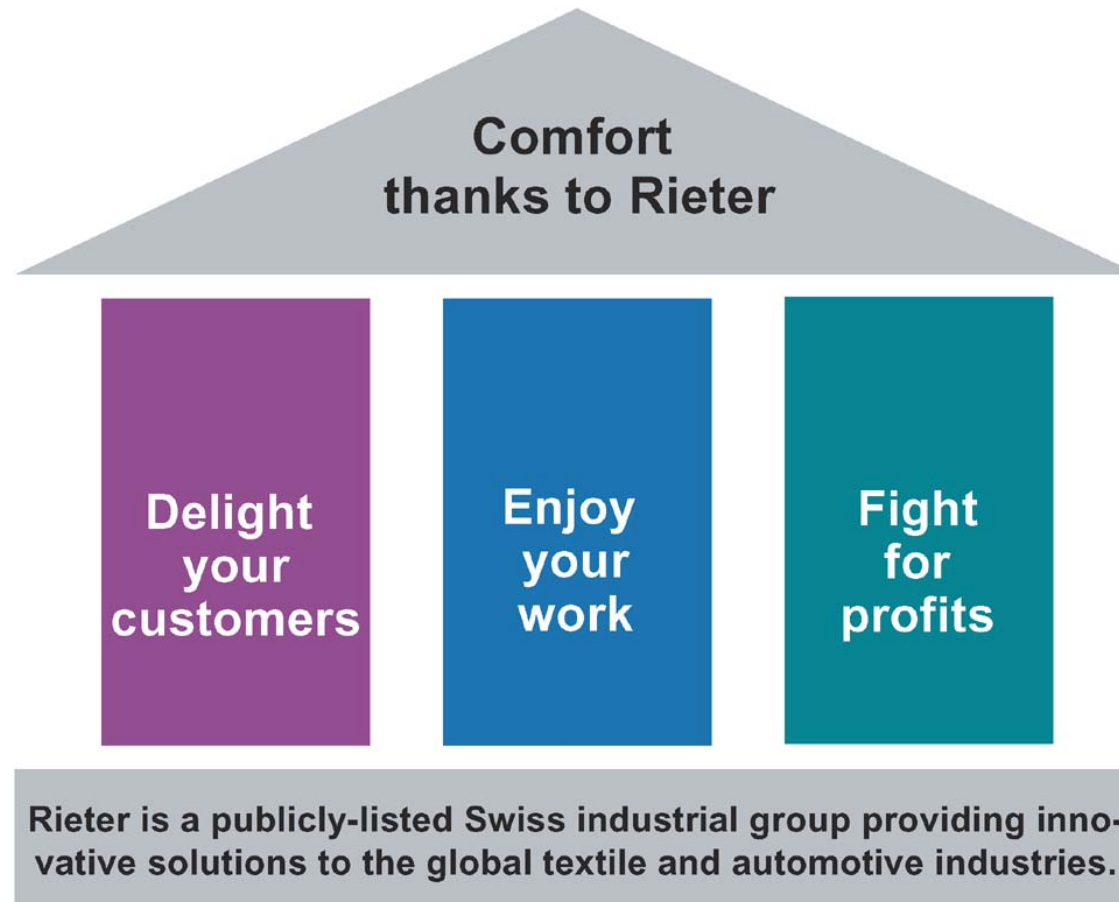
- Sales and operating result higher than in 2006

- **Automotive Systems**

- Continued sales growth
- Gradual improvement in 2007, positive impact for 2008

- **Group**

- Sales, EBIT and net profit higher than in 2006



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