



## Welcome to the 2008 Financial Analysts' Conference

Hartmut Reuter, Chief Executive Officer

## 2007 Records for Sales, EBIT and Net Profit

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**"The Rieter Group set new records for sales revenues, operating result and net profit in the 2007 financial year, thus maintaining the positive trend of recent years."**

Hartmut Reuter,  
CEO Rieter Group

# Agenda

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- Introduction and Overview 2007 Hartmut Reuter
- The Financial Year 2007 Urs Leinhäuser
- Strategy and Outlook 2008 Hartmut Reuter

- **Records for sales, operating result and net profit**
  - Higher net profit and earnings per share
  - Good financial result
  - Textile Systems: striking rise in sales and operating result
  - Automotive Systems: further rise in sales
  
- **Sound financial condition and healthy balance sheet**
  - Good net liquidity and higher equity capital ratio
  - Dividend of 15.00 CHF proposed
  - Share buyback program up to 150 million CHF since September 2007
  - Repayment of the 4% bonds (200 million CHF) in June 2007

- **Textile Systems**

- Records for orders received, sales and operating result
- Acquisition of Berkol strengthens components business
- Expansion of the Czech site for technology components
- Expansion of manufacturing sites in Pune/India and Changzhou/China
- Successful presentation of the new range of products at the ITMA/Munich

- **Automotive Systems**

- Faster growth than increase in overall vehicle output
- Building-up of additional manufacturing site in Chocen/Czech Republic
- Opening of a new plant in Chongqing/central China
- Starting of co-operation with Korean partner in Korea
- Innovation Rieter Ultra Silent, a new material for acoustic parts



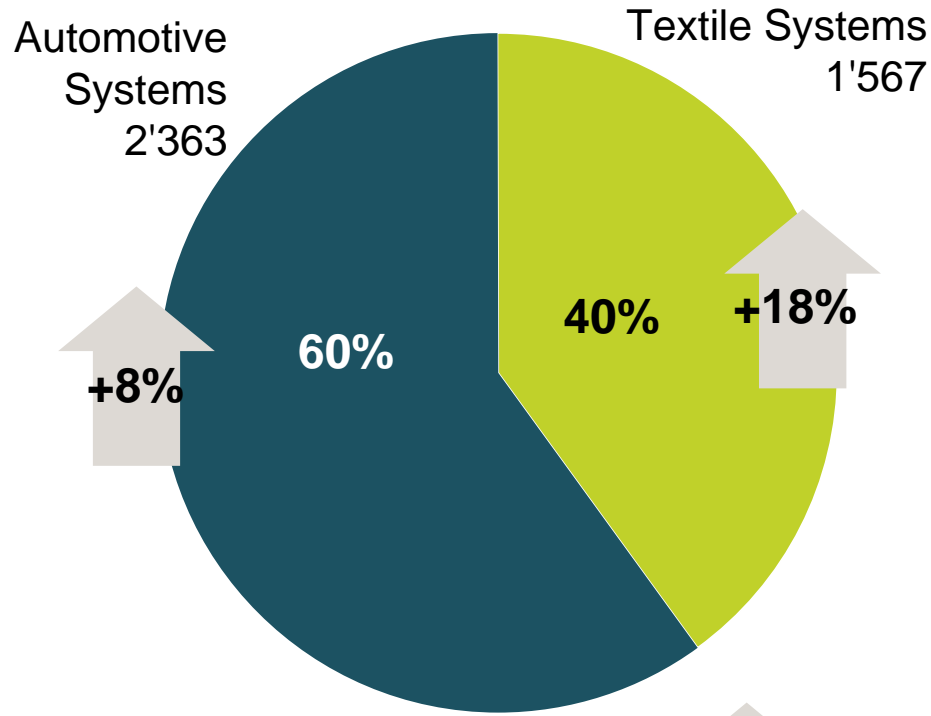
# Financial Year 2007

Urs Leinhäuser, Chief Financial Officer

# Sales by Division



CHF million

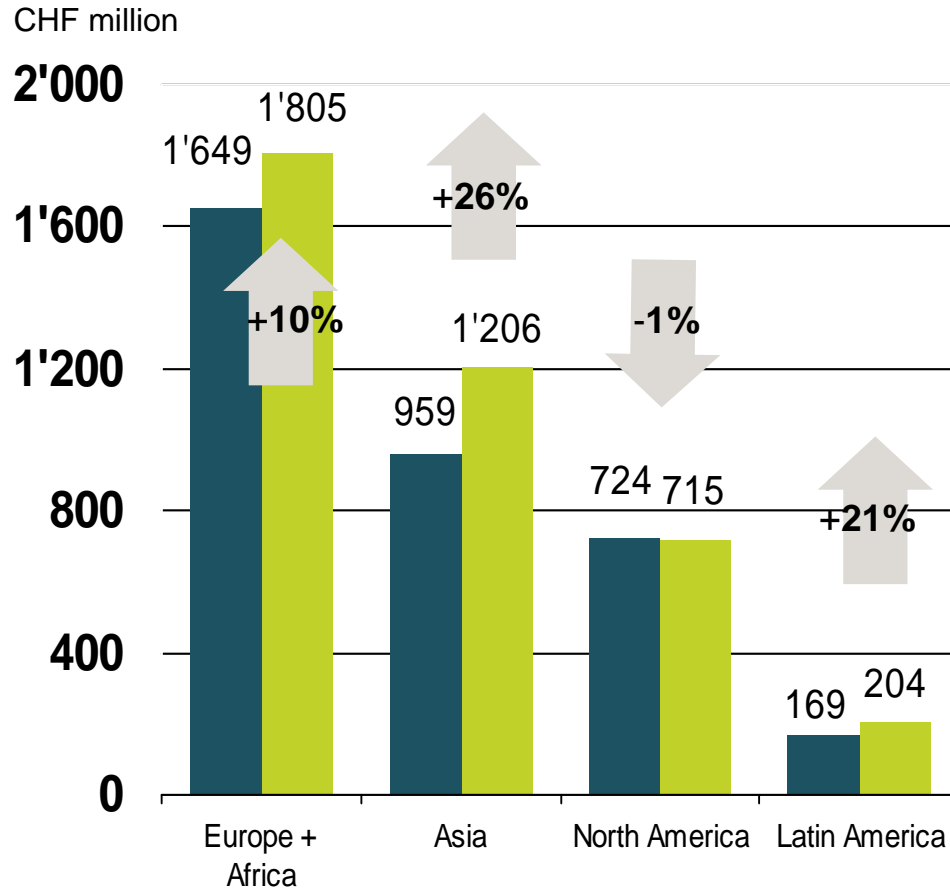


**2007: 3'930 million CHF** +12%

2006 figures excluding manmade fiber activities

- Sales revenue at record level due to organic growth
- Sales of Textile increased to new record level despite divestments
- Automotive Systems grew substantially faster than overall vehicle output

# Sales Increase by Regions



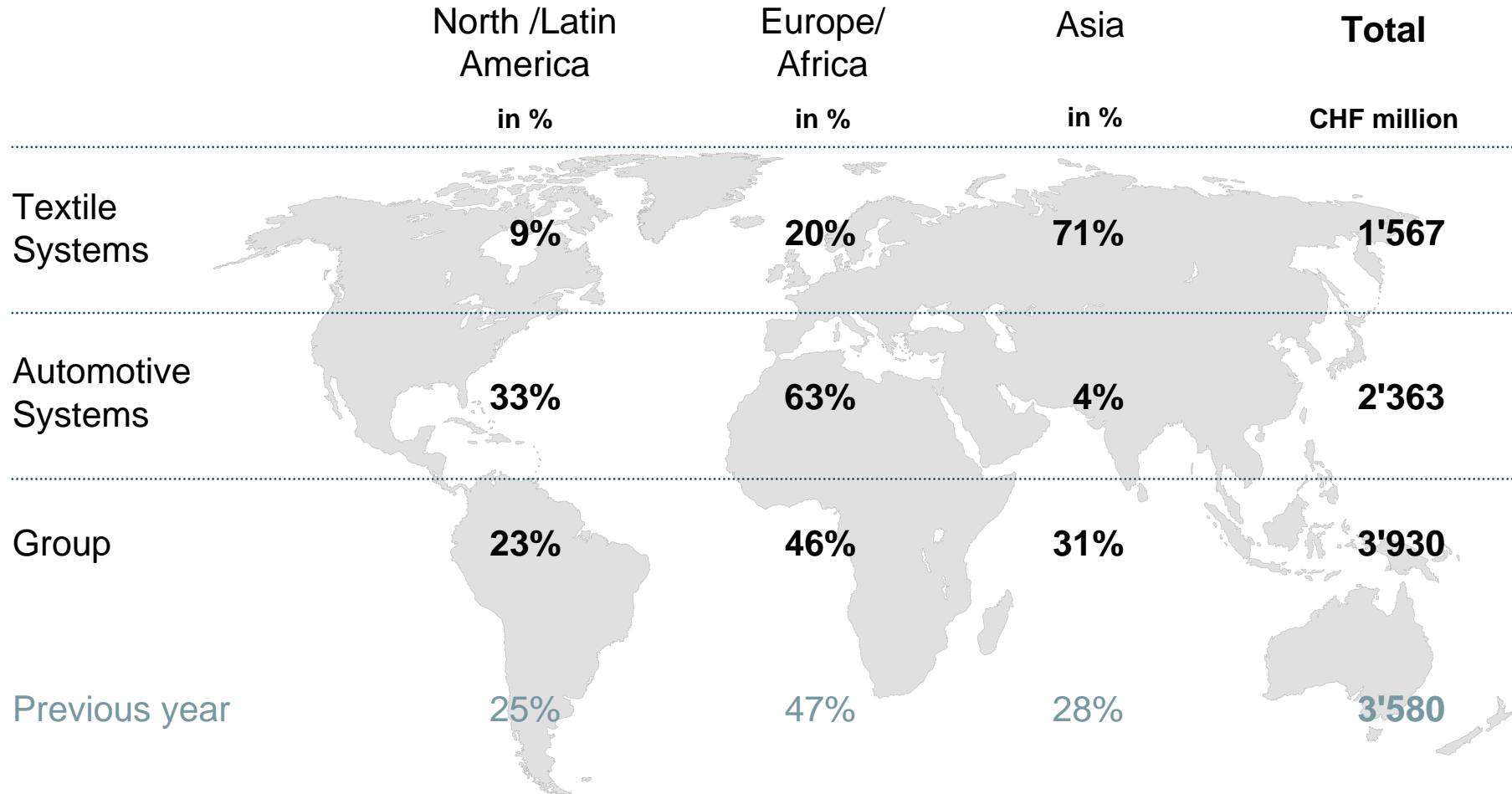
- Strong worldwide presence
- Sales increase in all regions, in local currencies also in North America
- Striking growth in Asia and Latin America

**2007: 3'930 million CHF** **+12%**

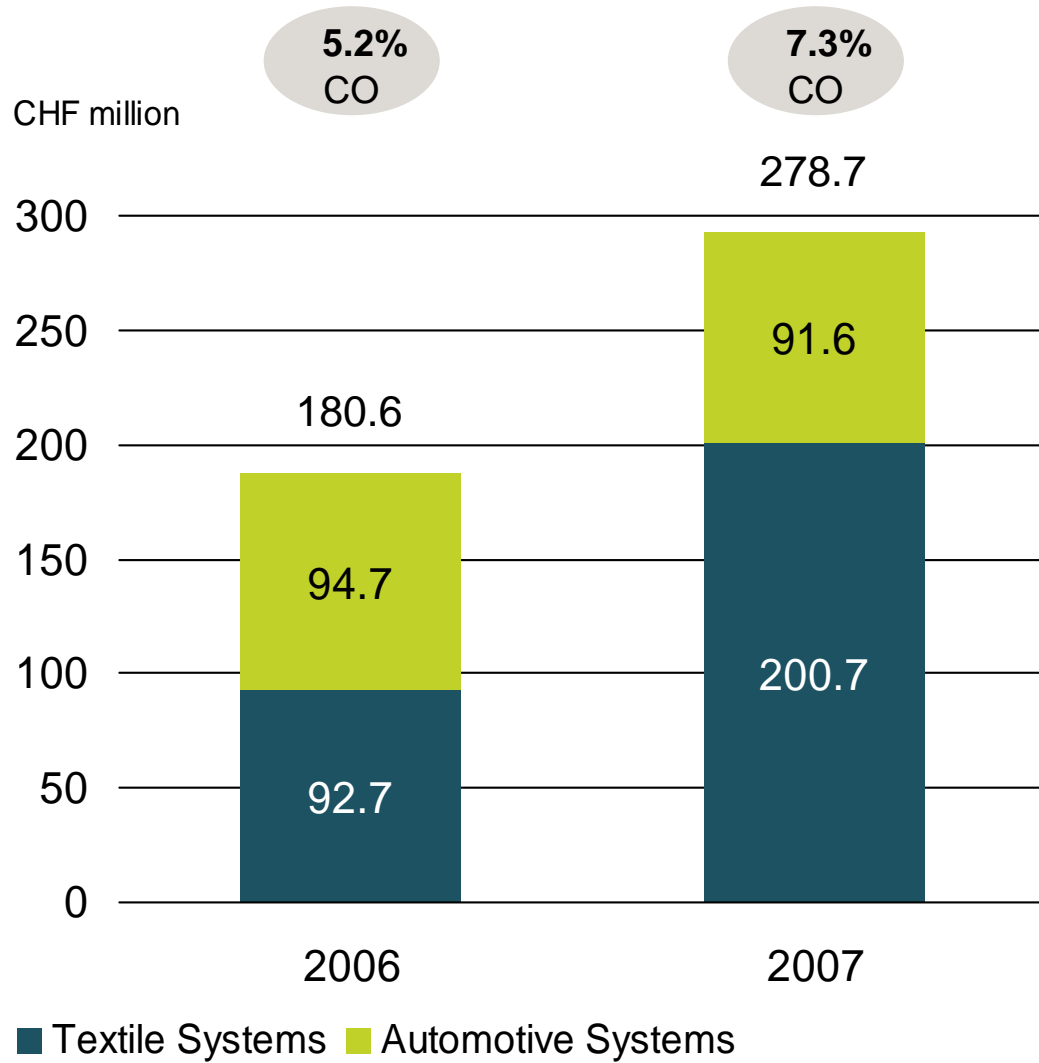
<sup>1</sup> adjusted for divestiture



# Sales 2007: Global Presence



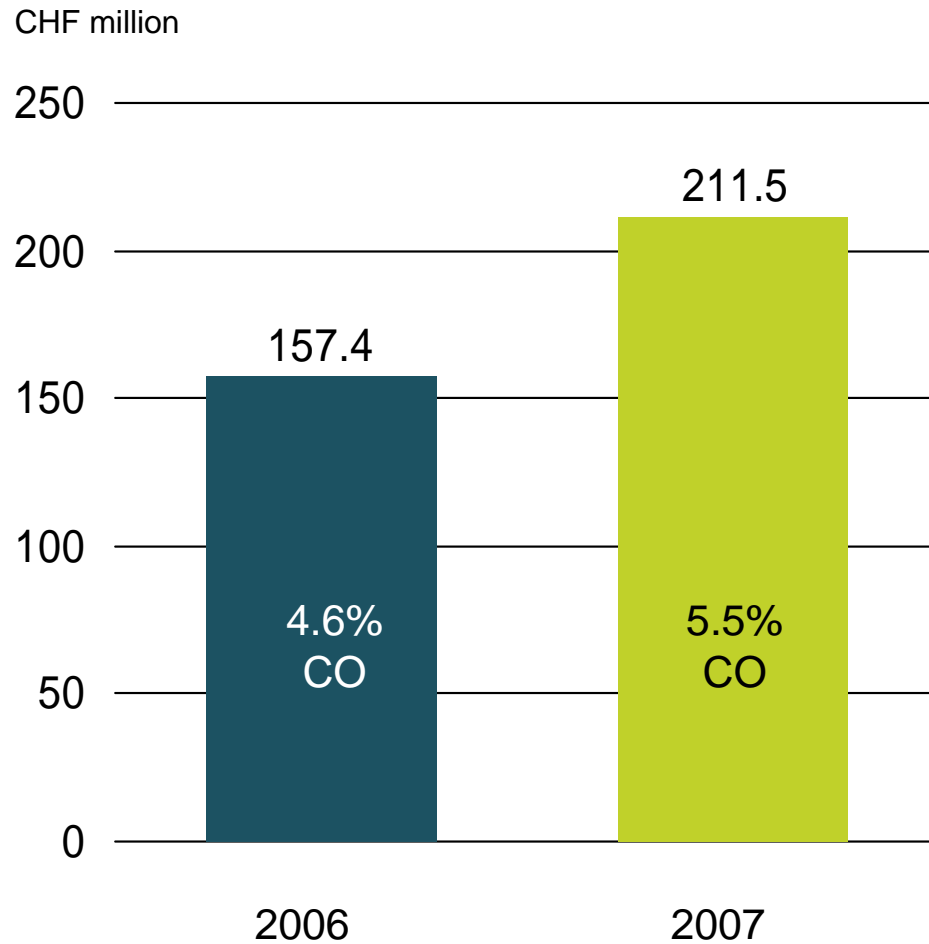
# Operating Result (EBIT)



- Group-EBIT rose by 54% to 278.7 million CHF, equivalent to 7.3% of corporate output.
- Striking increase in EBIT at Textile Systems.
- Sales increase of Automotive not translated into higher EBIT.
- Special charges reduced significantly to 8.1 million CHF

CO = Corporate Output

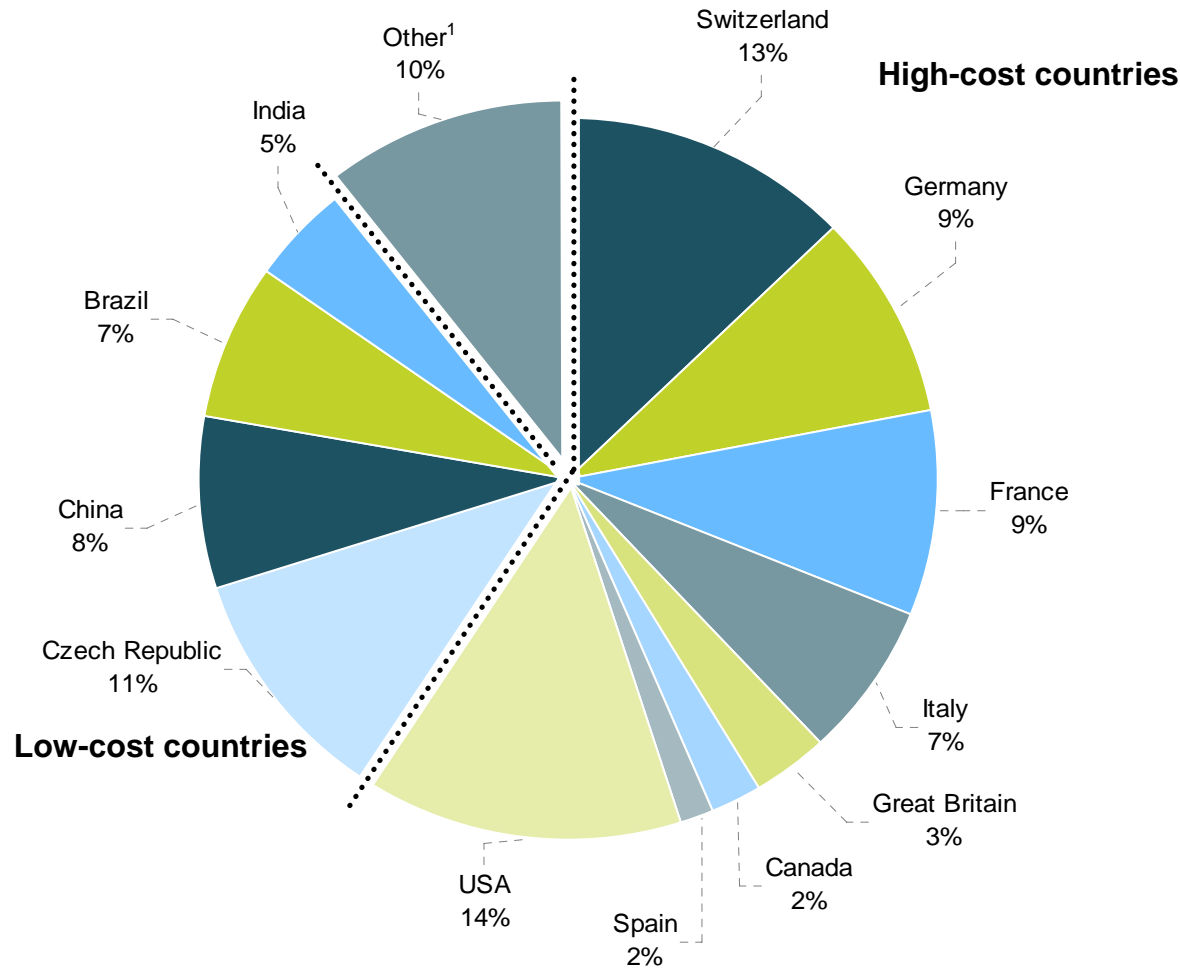
# Net Profit



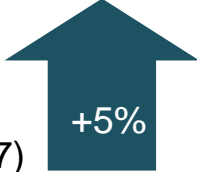
- Net profit increased by 34% compared to previous year
- Good financial result
- Slightly lower tax rate

CO = Corporate Output

# Number of Employees by Country

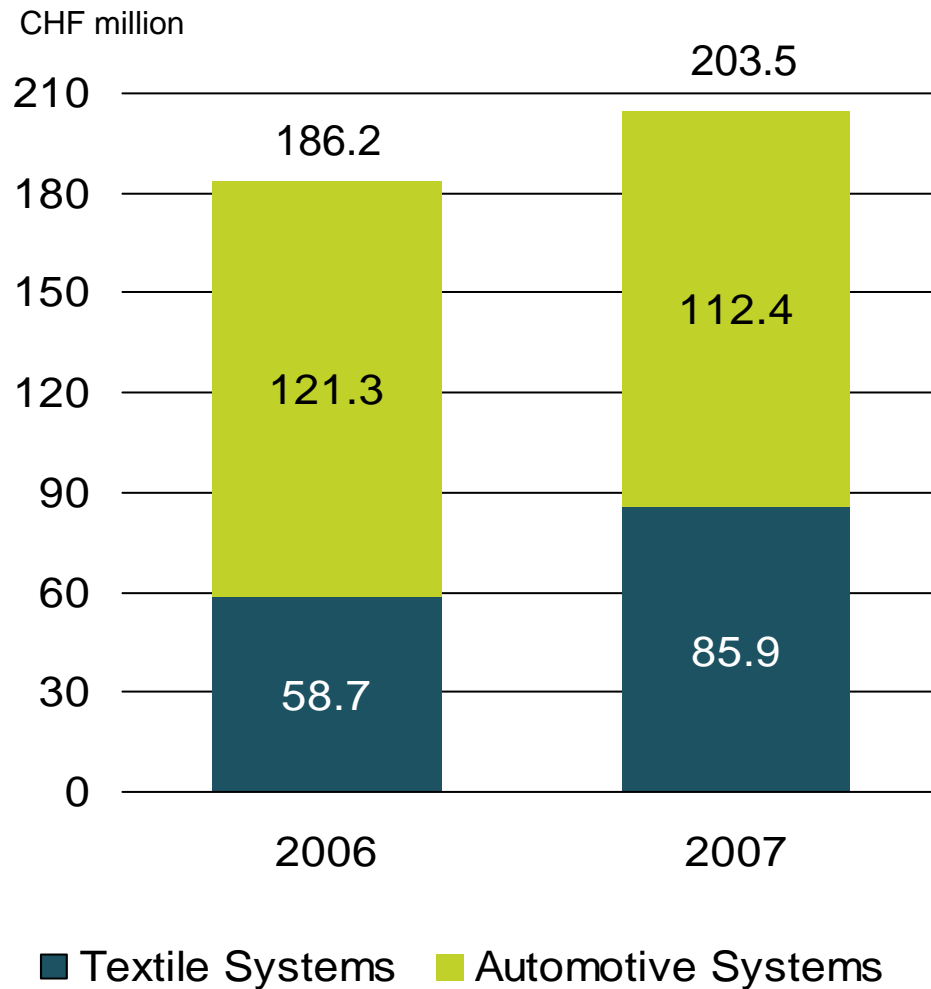


- Percental rise in number of employees lower than sales growth
- About equivalent number of employees at Textile in high-cost and low-cost countries for the first time
- Increase in number of employees in low-cost countries (from 33 to 37%)

**2007: 15'506**  +5%  
 (As of December 31, 2007)

<sup>1</sup> High- and Low-cos countries

# Capital Expenditures



- Expansion of capacity at Textile, especially in India, China and Czech Republic
- Automotive: Expansion in Czech Republic, Spain, USA and various customer projects

# Balance Sheet



	2007		in % of previous year △
	in CHF million	in % of total assets	
Total assets	<b>2'834.6</b>	100.0	-1.7
Non-current assets	<b>1'179.2</b>	41.6	+2.4
Goodwill	<b>120.4</b>	4.2	+1.3
Net working capital	<b>307.1</b>	10.8	-6.2
Cash and cash equivalents/market- able securities	<b>372.1</b>	13.1	-21.5
Financial debt	<b>227.6</b>	8.0	- 30.4
Shareholders' equity	<b>1'368.7</b>	48.3	-0.5

- Total assets decreased due to the repayment of the 4% bonds of 200 million CHF
- Increase of non-current assets due to higher capital expenditure
- Reduced net working capital despite increased sales volume

# Free Cash Flow



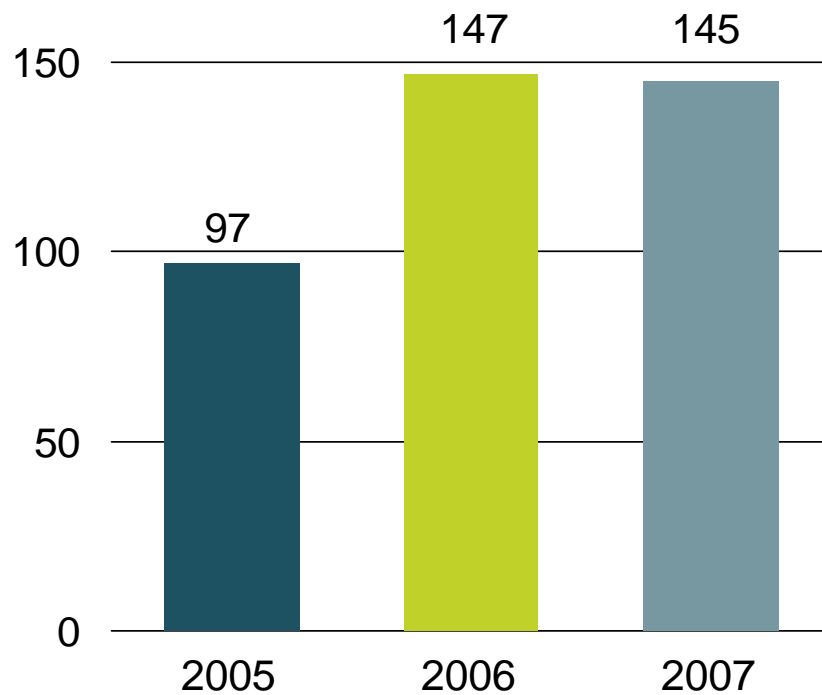
CHF million	2007	2006
Net profit	211.5	157.4
<b>Cash flow</b>	<b>360.2</b>	329.6
<b>Net cash flow</b>	<b>369.0</b>	335.2
+/- Change in net working capital	25.9	-82.6
+/- Capital expenditure on tangible and intangible assets, net	-178.8	- 153.5
+/- Change in financial assets, net	12.1	7.7
+/- Acquisitions	0.0	- 3.9
+/- Divestments	0.0	-2.3
<b>Free cash flow</b>	<b>228.2</b>	100.6

- Substantial increase in cash flow
- Rise in free cash flow due to decline of net working capital

# Net Liquidity



CHF million



- Free cash flow: 228 million CHF
- Own shares (incl. buyback program): 141 million CHF
- Dividend (incl. minorities): 69 million CHF
- Other: 20 million CHF



# Return on Capital

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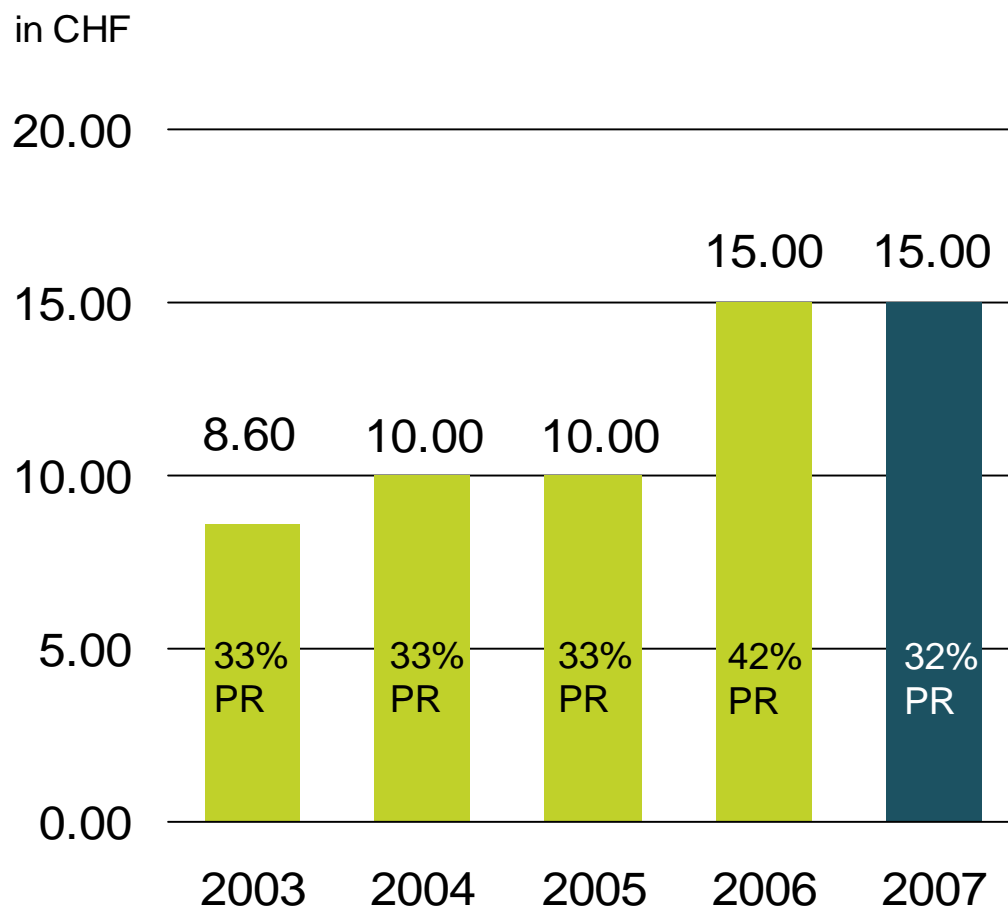


in %		<b>2007</b>	2006
RONA <sup>1</sup>	Rieter Group	<b>13.8</b>	10.8
RONOA <sup>2</sup>			
	- Textile Systems	<b>46.7</b>	34.5
	- Automotive Systems	<b>12.0</b>	15.0

<sup>1</sup> Net profit before interest cost in % of average net assets excluding financial debt.

<sup>2</sup> Operating result before special charges, interest and taxes in % of average net operating assets.

# Dividend / Share buyback



- Dividend of 15.00 CHF proposed
- Total distribution 62.8 million CHF, payout ratio 32%
- Dividend yield of 3.0% (based on the year-end price)
- Deletion of shares from buyback program proposed; 161'800 shares as of today
- Subsequently continuation of buyback program

PR = Payout ratio (in % net profit)

# Textile Systems 2007

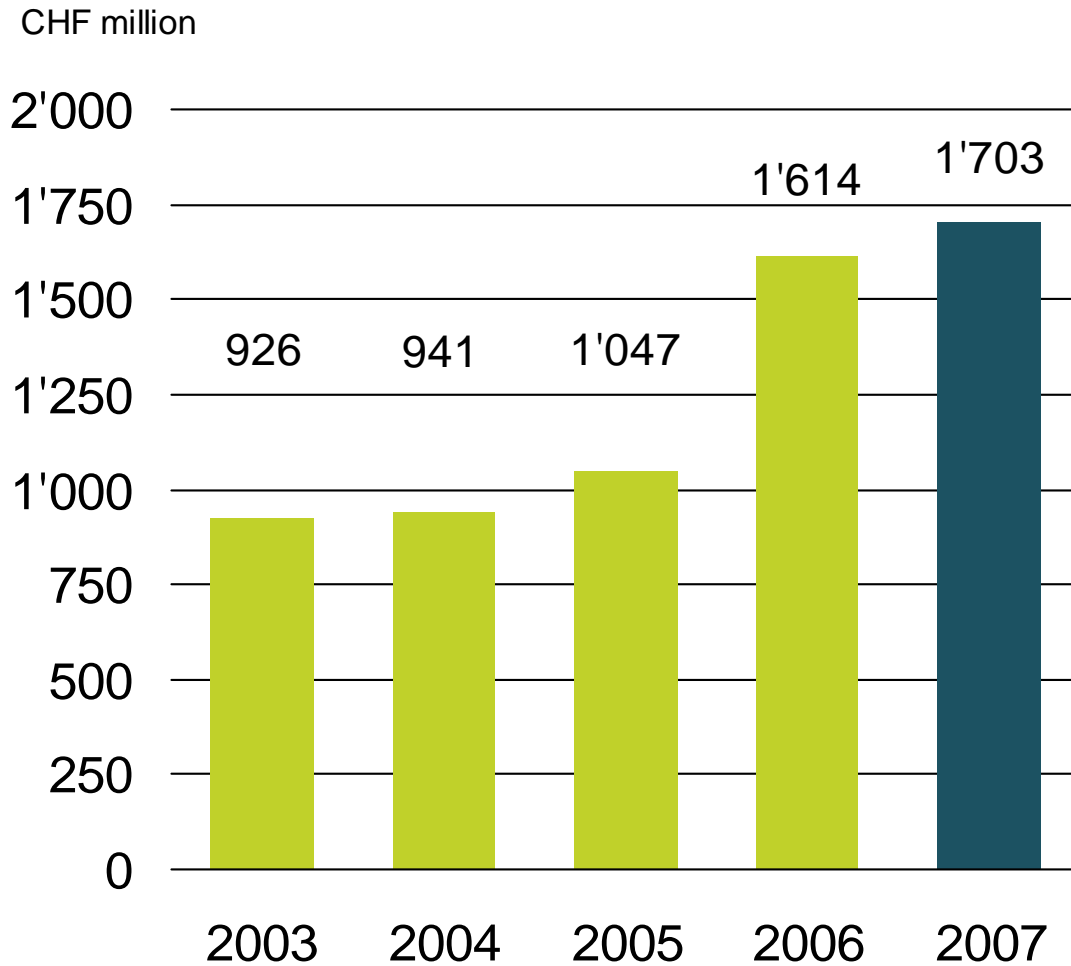
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Leading systems supplier in the spinning process



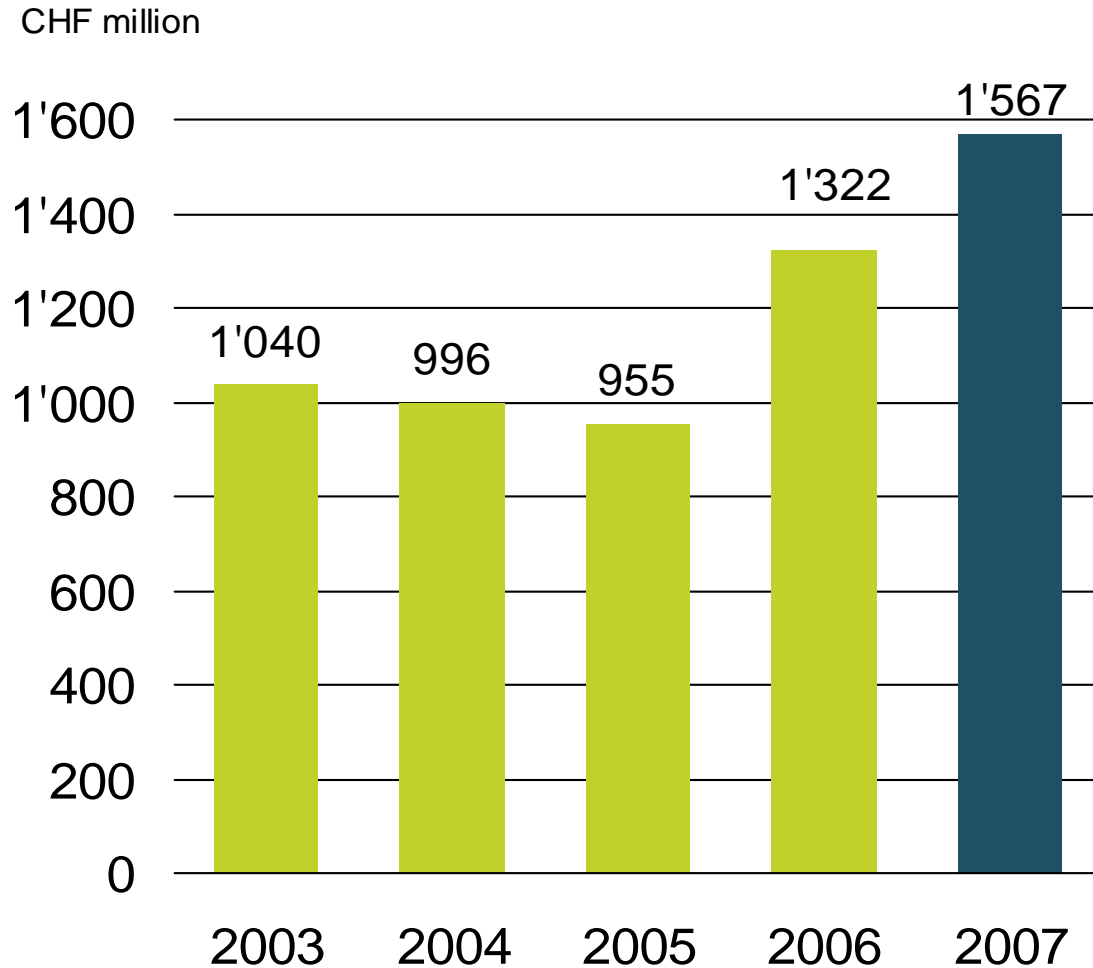
# Textile Systems: Orders Received



- 2007 orders received adjusted for divestiture rose by 6% to new record level
- Strong demand from Turkey, India and China
- As expected, the demand eased in HY2 2007

2003-2006 adjusted for divestiture

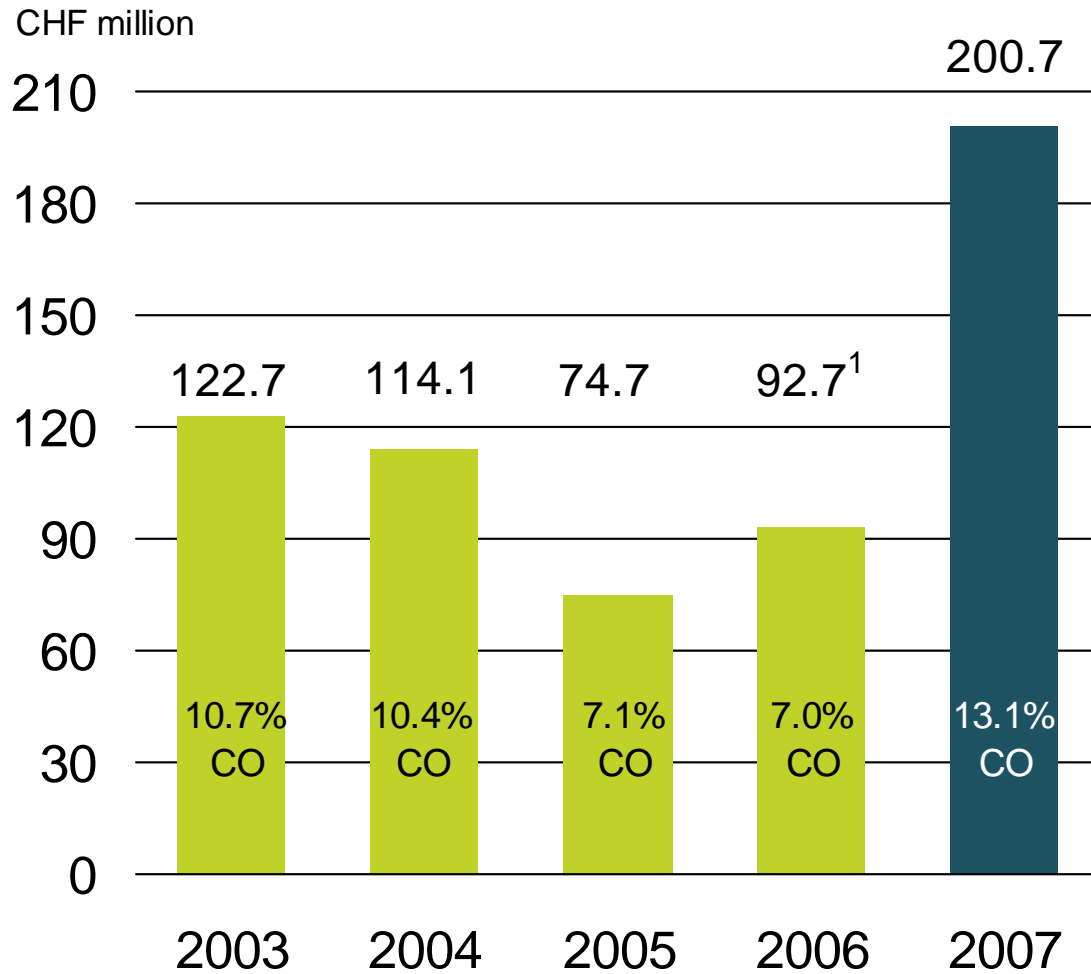
# Textile Systems: Sales



- Sales adjusted for divestiture increased by 18% to new record level
- 71% of sales (previous year 67%) were generated in Asia (incl. Turkey)
- The most important markets were Turkey, India and China

2003-2006 adjusted for divestiture

# Textile Systems: EBIT



- Striking rise in operating result to 200.7 million CHF
- EBIT margin rose to very good 13.1%
- Reasons: Strong sales volume, attractive product offering and cost discipline

<sup>1</sup> after special charges of 55.5 million CHF

CO = Corporate Output

# Automotive Systems 2007



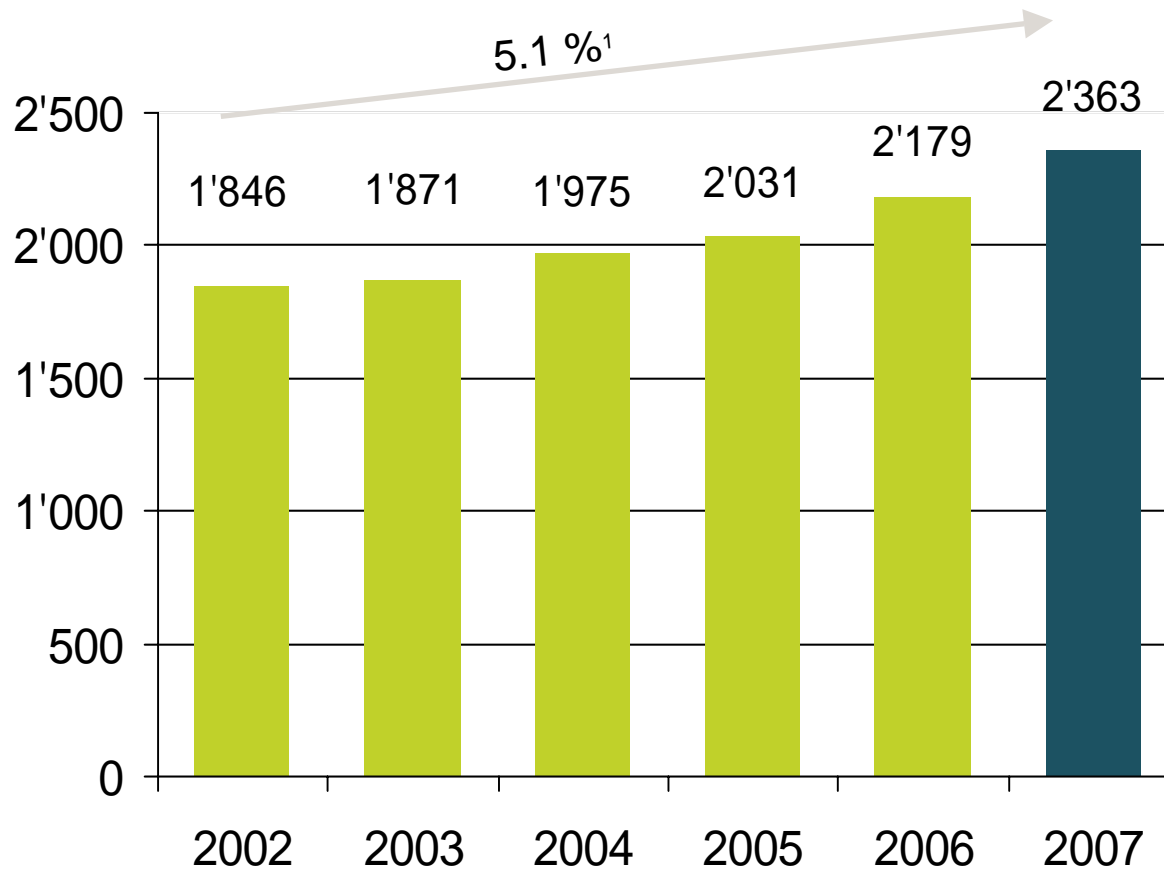
Leading supplier of integrated acoustics systems



# Automotive Systems: Sales



CHF million

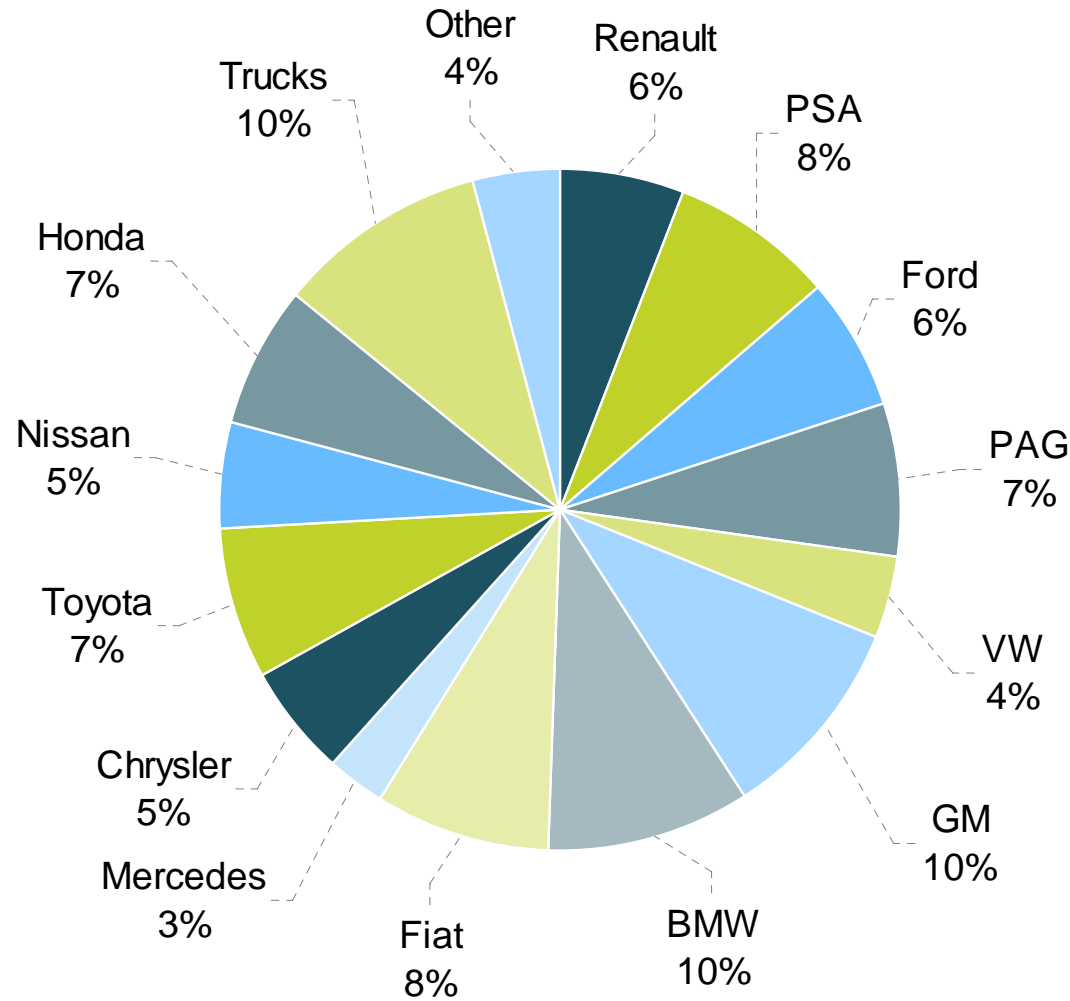


- Growth trend of the past five years continued
- Growth was exclusively organic
- In all regions higher sales and growth considerably stronger than regional vehicle output

<sup>1</sup> CAGR (compound average growth rate)

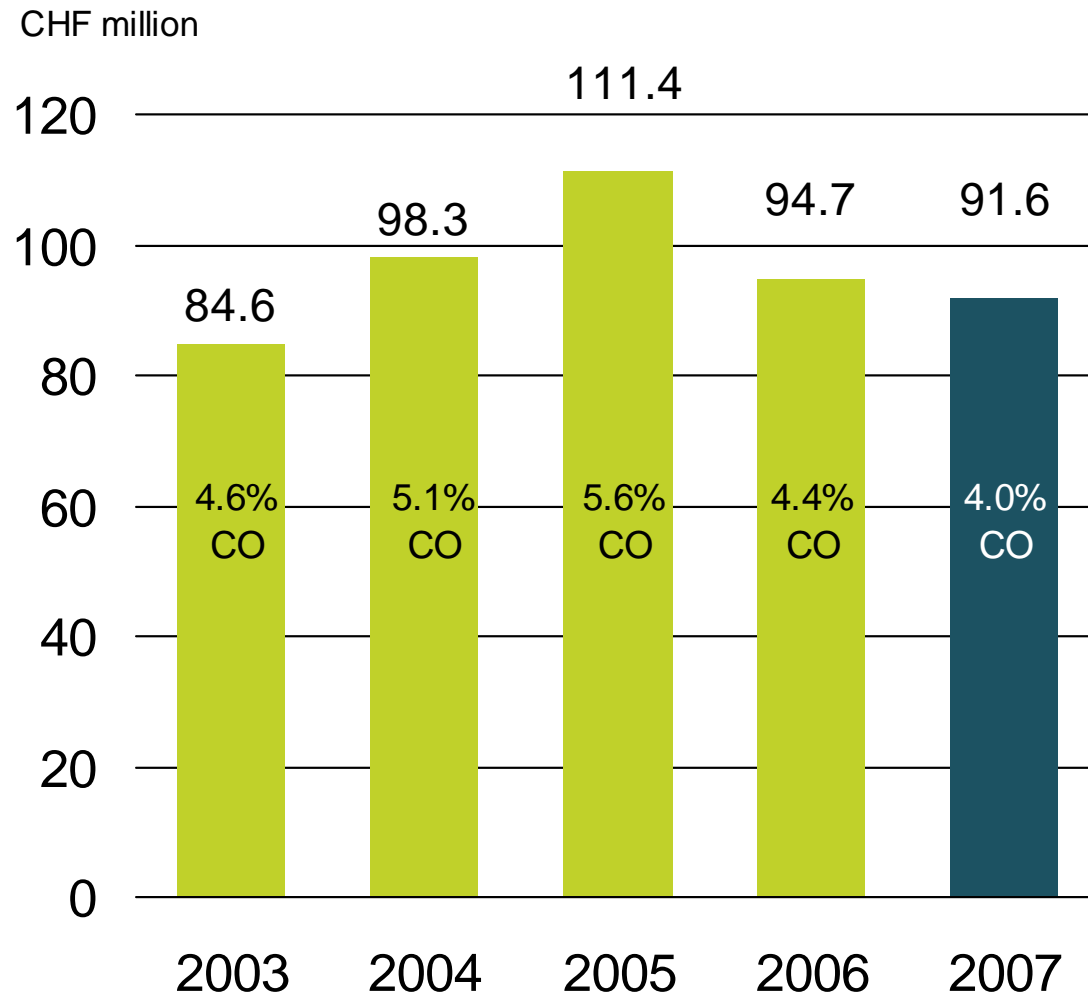


# Automotive Systems: Sales per Customer Group



- Diversified customer portfolio
- Japanese producers account for 20% of total sales
- New deal with Tata in India

# Automotive Systems: EBIT



- Operating margin achieved in the first half of 2007 maintained despite seasonally lower sales
- Operating result depressed by price pressure and rising cost of material, energy and personnel
- Production relocations and start-ups of new models in England resulted in higher costs than expected

CO = Corporate Output



# Strategy and Outlook 2008

Hartmut Reuter, Chief Executive Officer

## Strategy and long-term goals

- Continuation of the more than 20 years successful dual-strategy based on the two pillars Automotive Systems and Textile Systems
- Unchallenged market and technology leader in our fields of activity
- Profitable growth in both divisions by acquisitions and organic growth as well as above-average margin and profitability
- A very sound financial position allows strategic development of both divisions (including expansion of presence in Asia and Eastern Europe)
- Long-term objectives
  - 5% organic growth
  - 8% EBIT margin
  - 5% profit margin

## Current situation

- Textile industry with major share of capacity in Asia; consolidation of European OEMs almost completed
- Market and technology leader for staple fiber machines and systems as well as associated technology components
- Well represented in nonwovens market with a promising future
- Worldwide presence with sales and service
- Production expanded in low-cost countries (India, China, Czech Republic)
- Market development: short-term volatility but medium- and long-term growth thanks to increased wealth in the populous countries of Asia
- Cyclicity of business well managed in the past

# Strategic Steps Textile Systems (1/4)



Strengthening of leading market position in staple fibers through innovations

Focus of innovations:

- Reinforce the market position of our customers
- New yarn properties
- Machines and systems with lower operating costs as well as lower material and energy consumption
- Machines and systems with higher productivity



Drawframe RSB-D 40



Design engineers drawframe



Drafting system

## Strategic Steps Textile Systems (2/4)

### Expansion of presence in Asia

- Expansion of production capacities and market presence in India
- Expansion of production capacities and market presence in China



Extension of site Wing, Pune/Indien



Employee Changzhou, China

# Strategic Steps Textile Systems (3/4)

Strengthening of market position for technology components

- Organic growth through innovation and tapping of new customer categories
- Acquisition of Berkol; almost all technology components exist under one umbrella
- Common market appearance of the different technology brands





## Strategic Steps Textile Systems (4/4)

### Strengthening of the nonwovens machinery business

- For the first time a high-output Spunlace line for manufacturing carded nonwovens came into operation in India
- Sales growth thanks to co-operation with NSC



Presentation of Rieter and NSC at the ITMA in Munich

# Strategic Steps Textile Systems

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## Acquisitions since 2001

- Suessen
- Novibra
- Graf
- Berkol

## Divestments since 2001

- Manmade fiber activities in France (Valence)
- Manmade fiber activities in Switzerland (Winterthur)
- Pelletizing machinery activities in Germany (Grossostheim); closing in the second quarter of 2008

## Current situation

- Acknowledged as technology leader for acoustic and thermal management in motor vehicles
- Growing market for ambitious acoustic and thermal management
- Good market position in Europe, North and Latin America and successful partnership with Nittoku/Japan
- Potential in growth markets in Eastern Europe and Asia, especially China and India
- Worldwide growth in vehicle production, in Western Europe and North America rather stable between 2008 and 2015
- Leading position in the truck business in Europe, growth potential in North and Latin America as well as in Asia
- Continued price pressure due to structural problems of car manufacturers
- Margin below target

# Strategic Steps Automotive Systems (1/4)

Product innovations for organic growth



GM - Cadillac CTS



Nissan Qashqai



Mercedes C Class



MAN TGX

# Innovation Areas for Automotive Systems

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Product innovation focuses on the following three areas:

Acoustic and thermal management:

- Development of new systems with outstanding acoustic and thermal properties

Environment:

- Reduction of weight and contribution to reduction of CO<sub>2</sub> emissions
- Product recyclability
- Environmental protection / reduction of waste / improvement of eco-efficiency

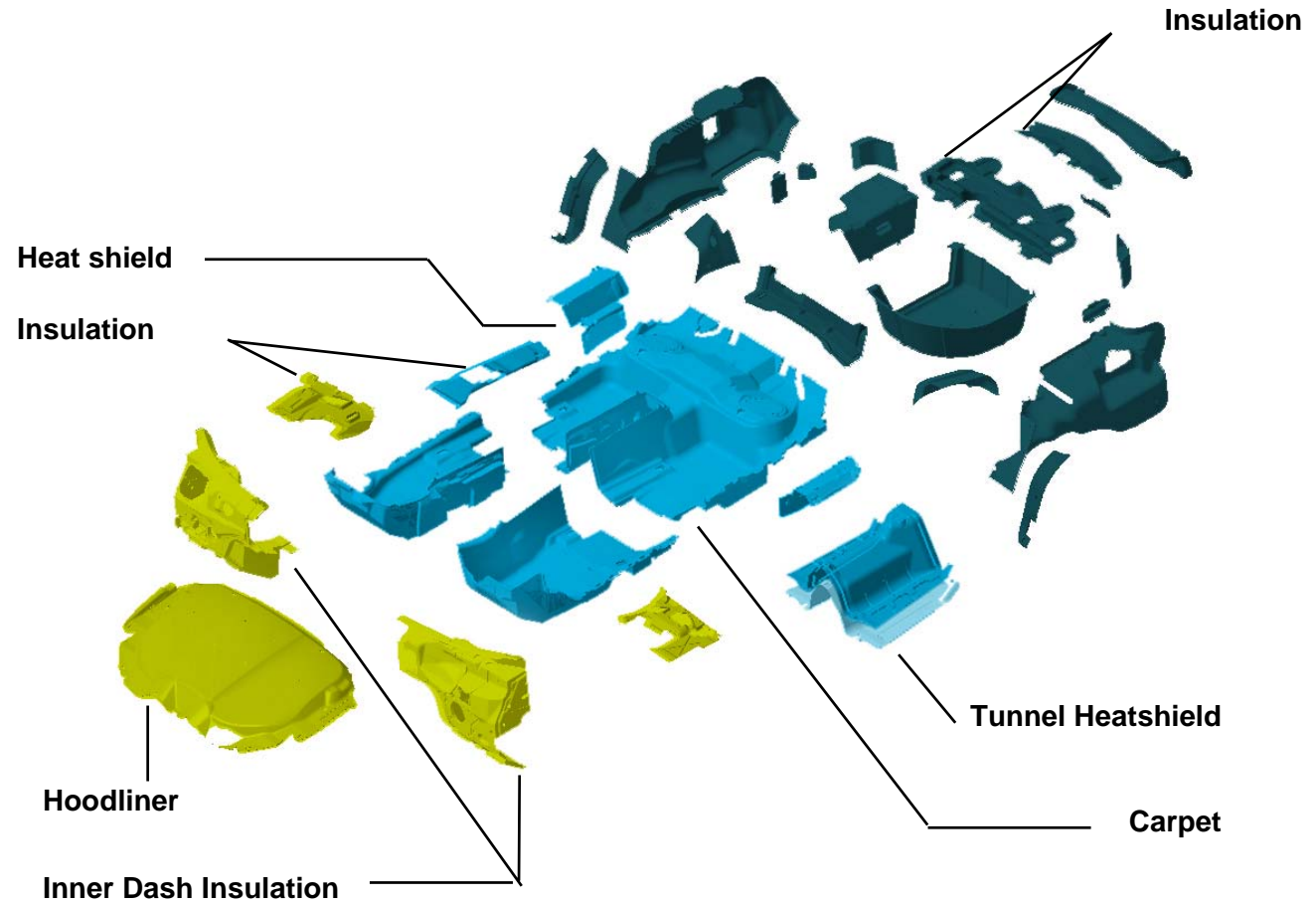
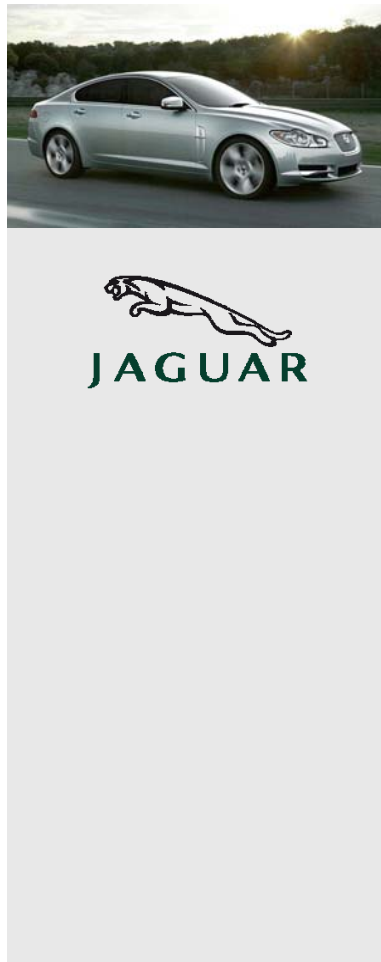
Cost reduction:

- Cost reduction by process and material innovations
- Concentration of R&D activities for products, materials and processes in Winterthur in order to implement new ideas into new products faster and more cost-efficiently

# Successful Car Launches 2007



e.g. with Rieter parts for the Jaguar XF Type:



# New Product 2007

## Integrated floor system

- Development of an integrated floor system for the Citroen Berlingo
- Available with a needlepunch carpet or with a washable and PVC-free thermoplastic surface finish
- Manufactured in the new Rieter plant in A Rua, Spain



Citroen Berlingo



Needlepunch version



Thermoplastic version

# RIETER ULTRA SILENT (RUS)



A new multifunctional material for automotive parts



Rieter underbody panel manufactured with new RUS technology

First order of a German premium manufacturer

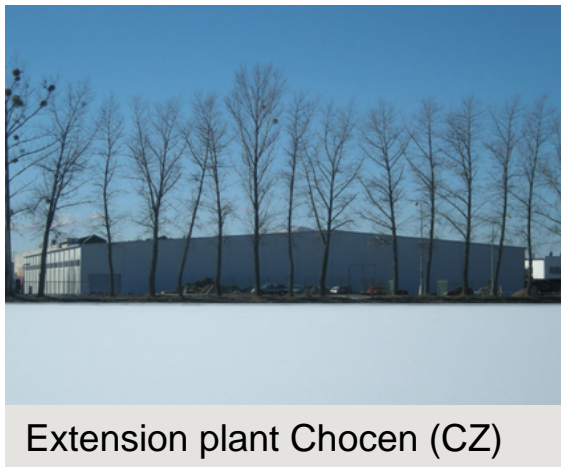
- RUS is a new multifunctional material on PET fiber basis. It is manufactured by a multilayer technology that was developed by Rieter
- RUS has an excellent acoustic performance and is 100% glass fiber free; at the same time high stiffness and low weight
- RUS supports car manufacturers to achieve the desired acoustic performance as well as the weight, environmental and cost targets
- RUS is applied across different products of Rieter Automotive since it can be moulded easily
- RUS is a solution that has been developed in co-operation of Rieter Automotive Systems and Textile Systems



## Strategic Steps Automotive Systems (2/4)

Expansion of our market position in Europe and America

- Eastern Europe: Manufacturing facility in Chocen, CZ extended
- North America: Extension of the product portfolio by trunk systems (Ford Taurus, Lincoln MKS)
- Carpets for Japanese manufacturers in North America



Extension plant Chocen (CZ)



Manufacturing facility Chocen



Trunk system

# Strategic Steps Automotive Systems (3/4)



## Expansion in the growth markets in Asia

- China: After two JV with Nittoku opening of a new production site in Chongqing (central China)
- Korea: Co-operation with the Korean partner DKT in order to expand business with Korean customers
- India: Preparation of further expansion steps in South India
- Organizational changes: Own Business Group Asia and expansion of the Development Center in Shanghai (Rieter and Idea Institute)



Development Center Shanghai



Plant Chongqing (CN)



Street in Seoul (KR)

# Strategic Steps Automotive Systems (4/4)

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Strengthening of profitability in North America and Europe

## 1. Operational measures (continuous improvement)

- Improvements in productivity with the Rieter Production System
- Better material consumption (reducing waste, less scrap)
- Better purchasing conditions (new suppliers, lower prices, purchasing pools)
- Value analysis (VA / VE), lower production costs due to reengineering
- Renegotiations with customers regarding price increases
- Cost reduction through innovative processes and product solutions

## 2. Structural measures

- Optimization of the production network in Europe and North America
- 1-2 new plants in Eastern Europe and one in Mexico (Follow our customers)
- In addition, our plants have to produce overall more cost-effectively in order to stay competitive; focus on reduction of complexity

- **Textile Systems**

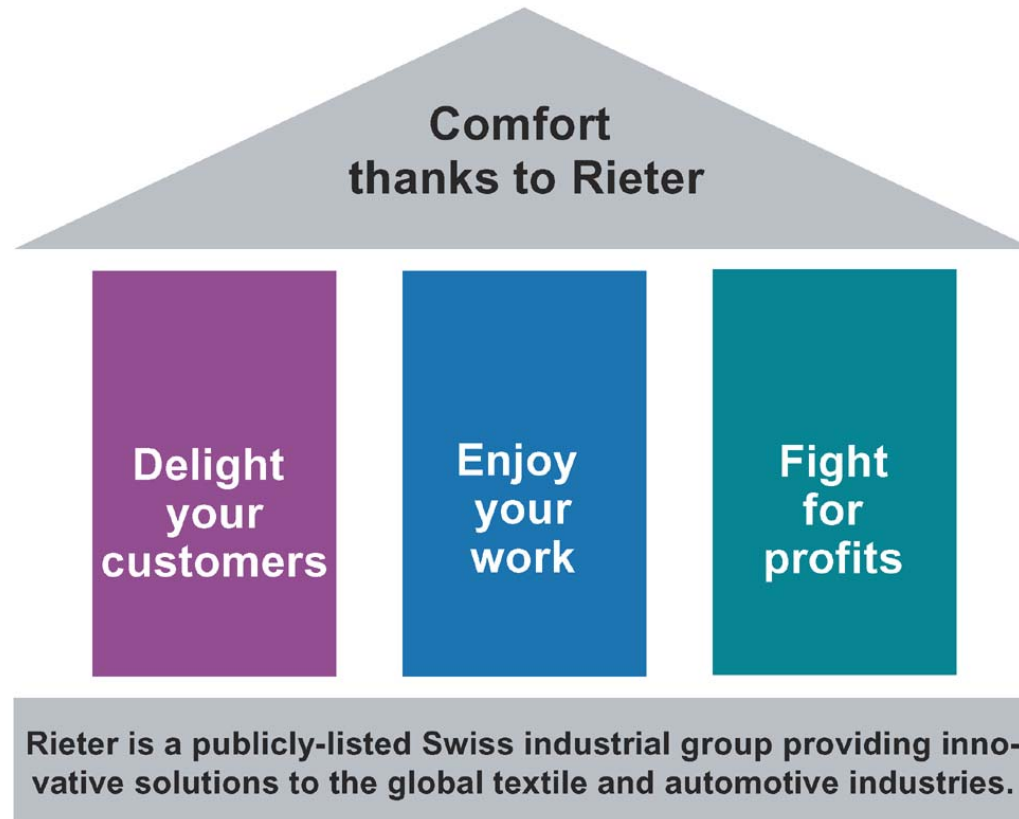
- The previous year's record sales will not quite be equaled after adjustments for currency movements and divestments
- Very good operating margin

- **Automotive Systems**

- Sales after adjustments for currency movements above 2007
- Currency translation effects to reduce sales by 5 to 10%
- Operating and structural measures continued
- England will continue to depress the operating result in the current year

- **Group**

- Sales after adjustments for currency movements and divestments on 2007 level
- Currency translation effects to reduce sales by 5 to 10%
- Increasingly weak levels of economic activity and additional costs due to establishing manufacturing capacity will lead to a lower operating result
- Growth prospects for sales and earnings at both divisions remain positive in the medium and long term



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