



# 2010 Half Year Results

Erwin Stoller, Executive Chairman  
Urs Leinhäuser, Chief Financial Officer

# Agenda

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- Introduction and Summary of HY1 2010 Erwin Stoller
- Financial Results HY1 2010 Urs Leinhäuser
- Outlook Erwin Stoller

## **HY1: Back to positive operating result**

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“Rieter was able to successfully exploit the improved market environment in the first half of 2010 to generate organic growth and to achieve a positive operating result. With this, Rieter has reached an important milestone earlier than anticipated.”

Erwin Stoller  
Executive Chairman

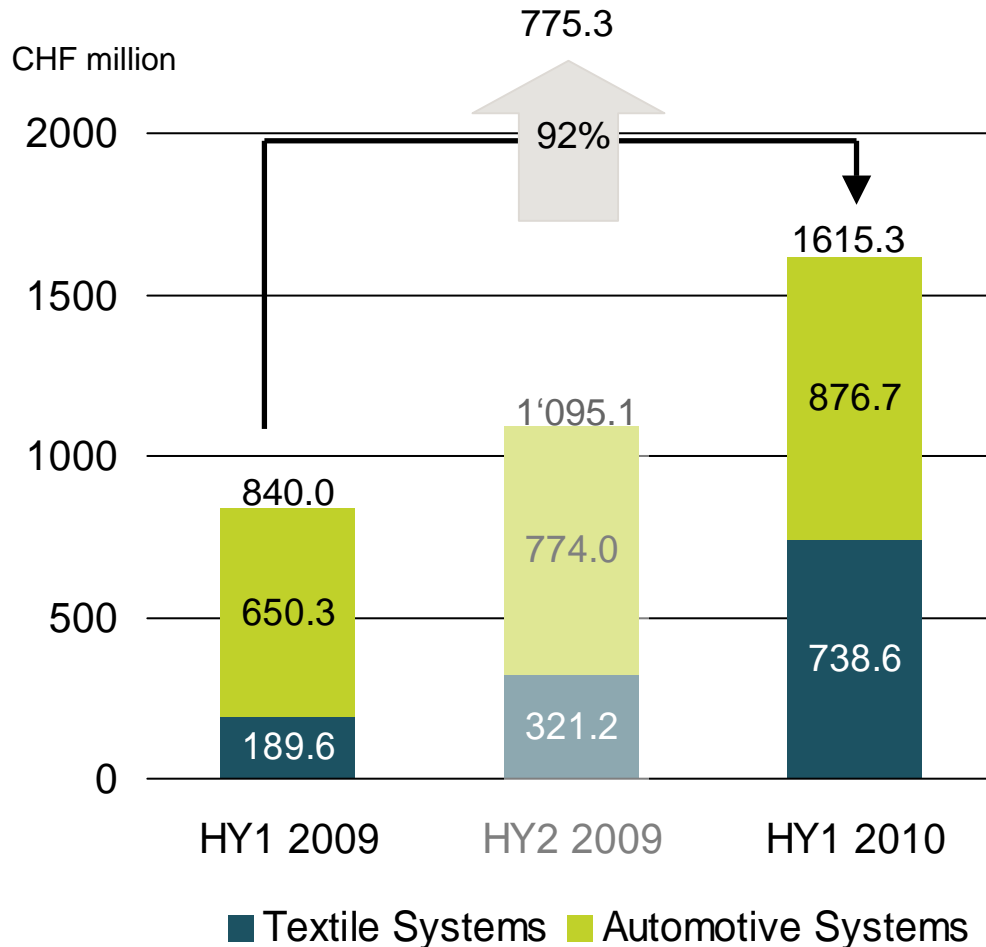
- **Striking market recovery: Strong growth of orders received and sales**
  - Rieter successfully exploited the improved market environment in both divisions
  - Order intake increased by 92%, in Textile Systems even by 290%
  - Sales of Textile Systems increased by 30%, of Automotive Systems by 35%
- **Back to positive operating result on group level and in both divisions**
  - Thanks to higher sales, better capacity utilization und further achievements with the restructuring program, Rieter returned to profit at the operating level
  - We have been able to lower the break-even point on EBIT level to some 2300 Mio. CHF annual volume in HY1
- **Sound balance sheet**
  - Equity ratio of 33%, net liquidity of -18 million CHF and positive cash flow from operating activities
  - Bond issue of 250 million CHF at the end of the first quarter to diversify financial resources, to extend credit line maturities and to gain flexibility



## Financial Results HY1 2010

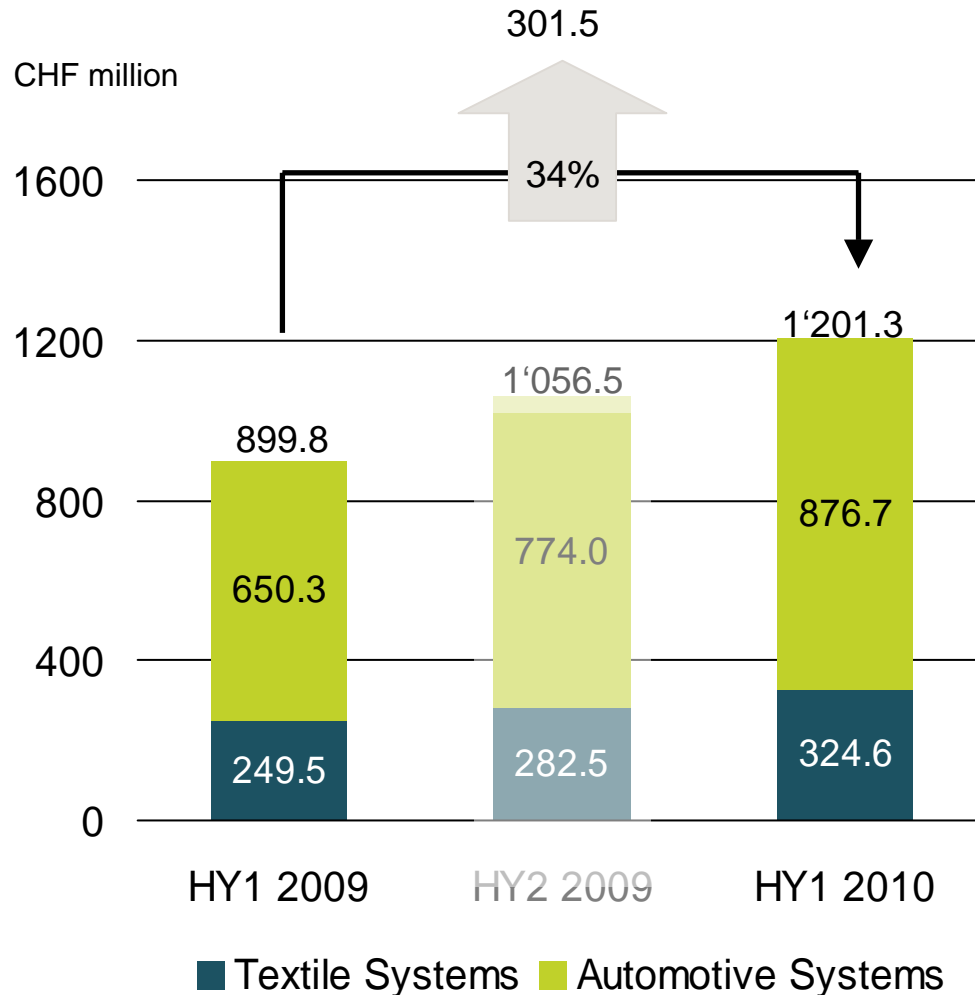
Urs Leinhäuser, Chief Financial Officer

# HY1: Orders by division



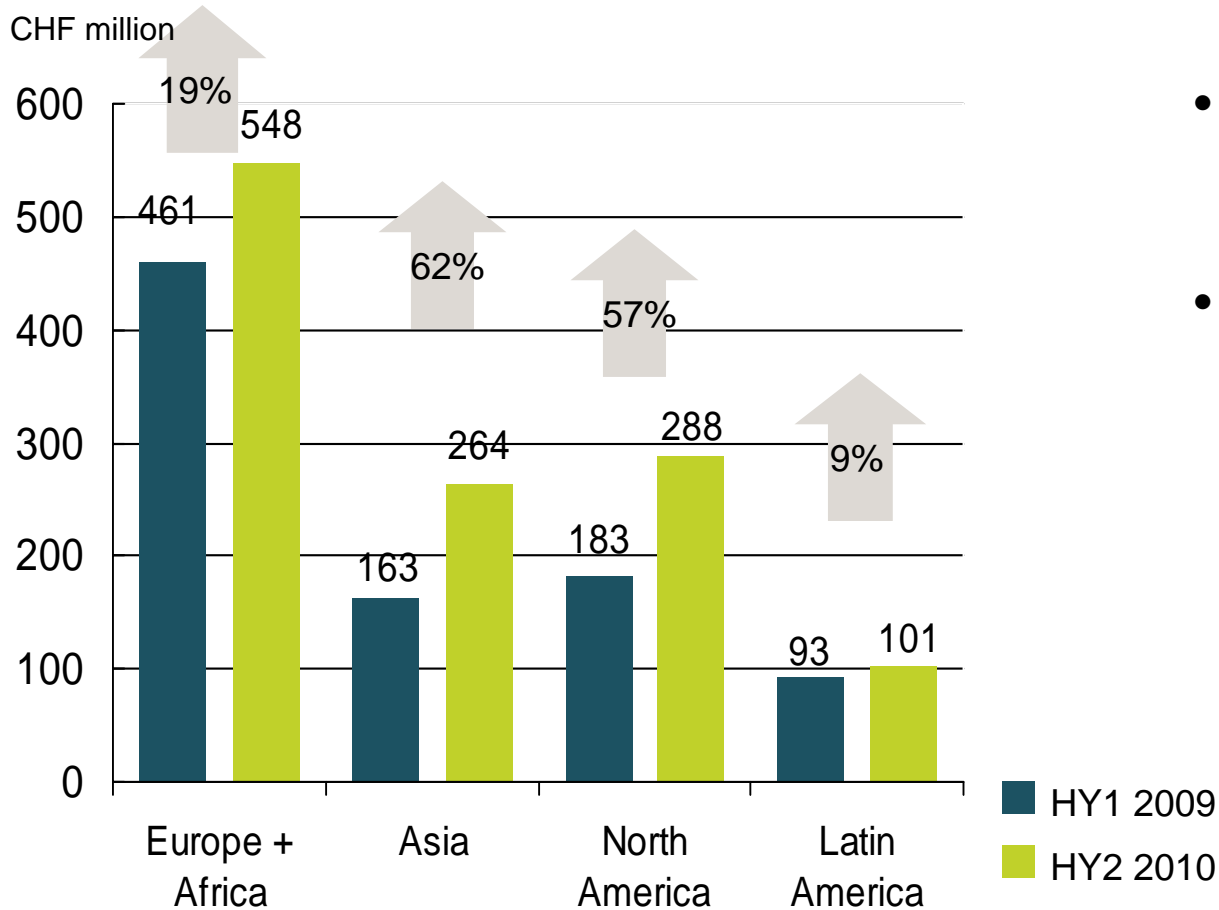
- Orders received rose by 92% to 1'615.3 million CHF
- Orders particularly boomed at Textile Systems
- Order intake accelerated in HY1 2010 compared to HY2 2009
- Market recovery became more dynamic during the reporting period
- In the Automotive division orders = sales

# HY1: Sales by division



- Sales rose by 34%, in local currencies by 35%
- Increase attributable to an improved business situation in both divisions
- Both divisions were able to take full advantage of the recovery of their markets

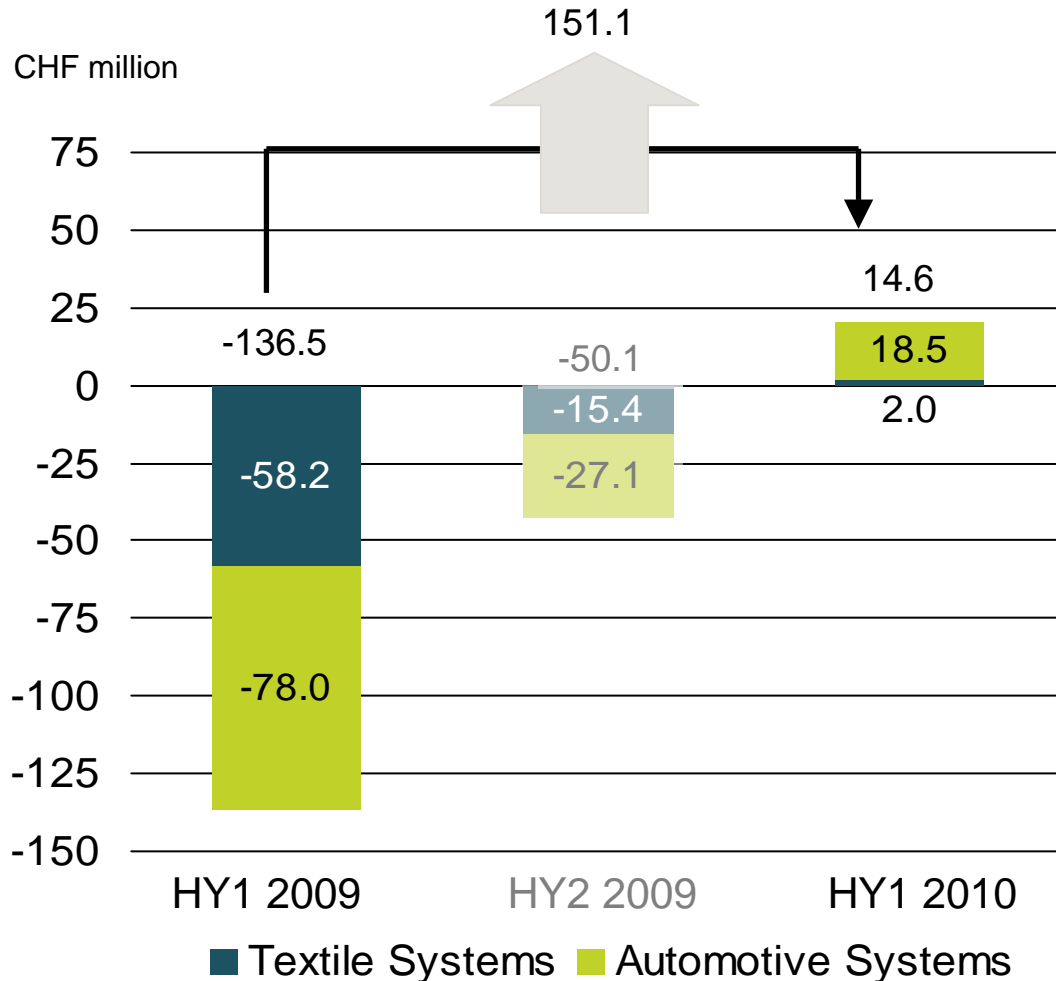
# HY1: Sales development by region



- Sales growth in all regions thanks to strong global presence
- Strongest growth in Asia and North America

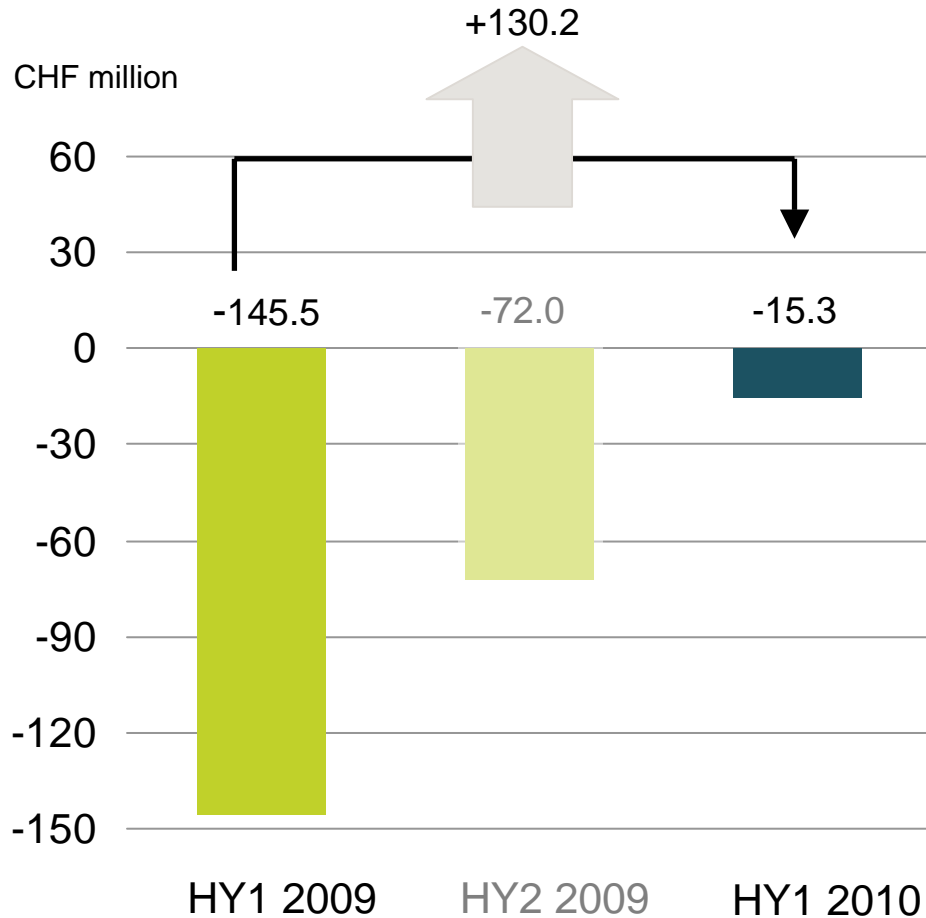


# HY1: Operating result (EBIT)



- Operating result (EBIT) amounted to 14.6 million CHF and improved by 151.1 million CHF
- Not only on group but also on division level Rieter returned to profit at the operating level
- This positive result is due to 301.5 million CHF higher sales, better capacity utilization and lower break even point

# HY1: Net result



- Net result was -15.3 million CHF (-145.5 million CHF in HY1 2009) and increased by 130 million CHF
- Financial result amounted to -17.3 million CHF and income taxes to -12.6 million CHF in HY1
- Net result before taxes amounted to -2.7 million CHF and increased by 147.1 million CHF

# HY1: Balance sheet



CHF million	<b>30.06.10</b>	31.12.09	30.06.09
Total assets	<b>1'938.6</b>	1'814.1	1'838.8
Non-current assets	<b>833.3</b>	886.5	895.9
Net working capital	<b>69.3</b>	19.6	67.3
Net liquidity	<b>-18.0</b>	10.4	56.6
Short-term financial debt	<b>71.7</b>	81.7	75.0
Long-term financial debt	<b>289.7</b>	140.7	123.5
Shareholders' equity	<b>632.6</b>	655.8	737.8
in % of total assets	<b>33%</b>	36%	40%

- Sound financial basis
- Further reduction of non-current assets because of low capex in HY1
- Net liquidity reduced to -18 million CHF due to volume-related NWC increase and further pay-out for restructuring
- Increase of long-term financial debt due to bond issue of 250 million CHF and repayment of long-term bank loans, respectively of 100 million CHF

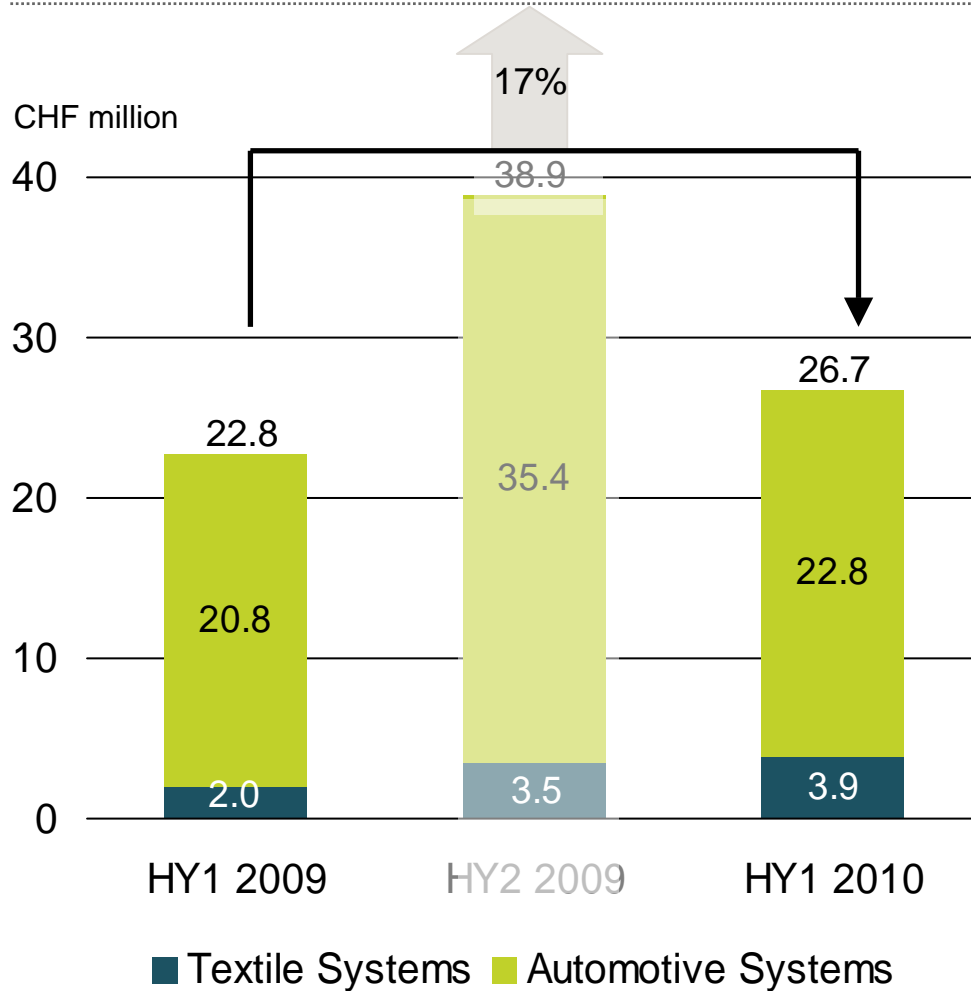
# HY1: Net working capital



CHF million	<b>30.06.10</b>	31.12.09	30.06.09
Inventories	<b>308.8</b>	266.0	287.3
Trade receivables	<b>360.7</b>	331.5	300.4
Other receivables	<b>92.4</b>	99.4	100.1
Trade payables	<b>-241.0</b>	-226.8	-201.3
Advance payments	<b>-101.9</b>	-63.3	-59.9
Other current liabilities	<b>-349.7</b>	-387.2	-359.3
<b>Net working capital</b>	<b>69.3</b>	<b>19.6</b>	<b>67.3</b>

- Volume related increase of NWC compared to end of 2009 mainly due to inventories and trade receivables
- Increase of advance payments at Textile Systems
- Continued reduction of restructuring provisions is increasing NWC

# HY1: Capital expenditure



- Capex increased from a very low level by 17% mainly due to capacity expansion of Automotive in Asia
- Depreciation and amortization is 65.2 million CHF and 38.5 million CHF higher than capex in HY1
- Capex will double in HY2 2010 against HY2 2009 due to further capacity expansion in Asia and due to new customer projects

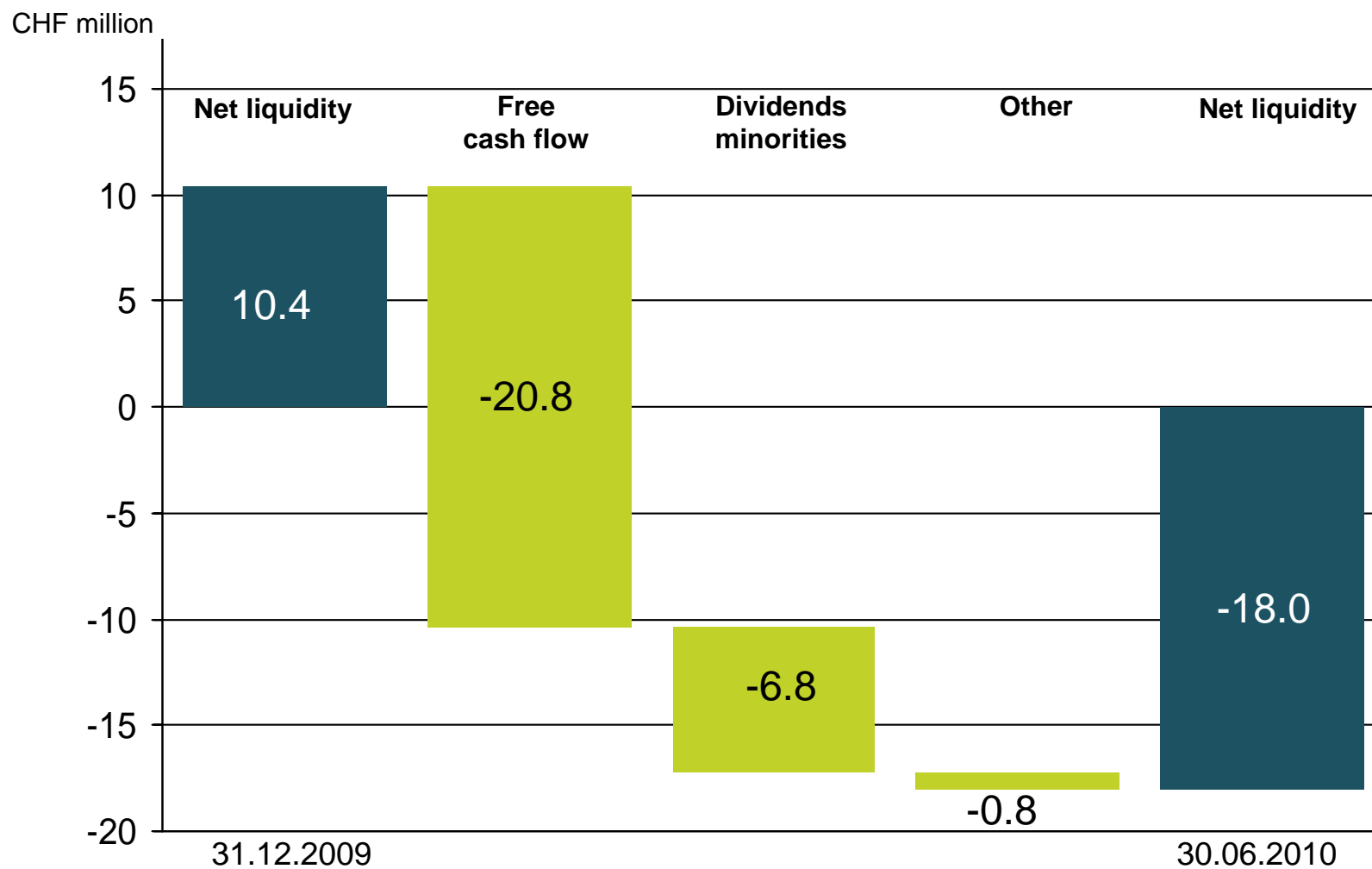
# HY1: Free cash flow



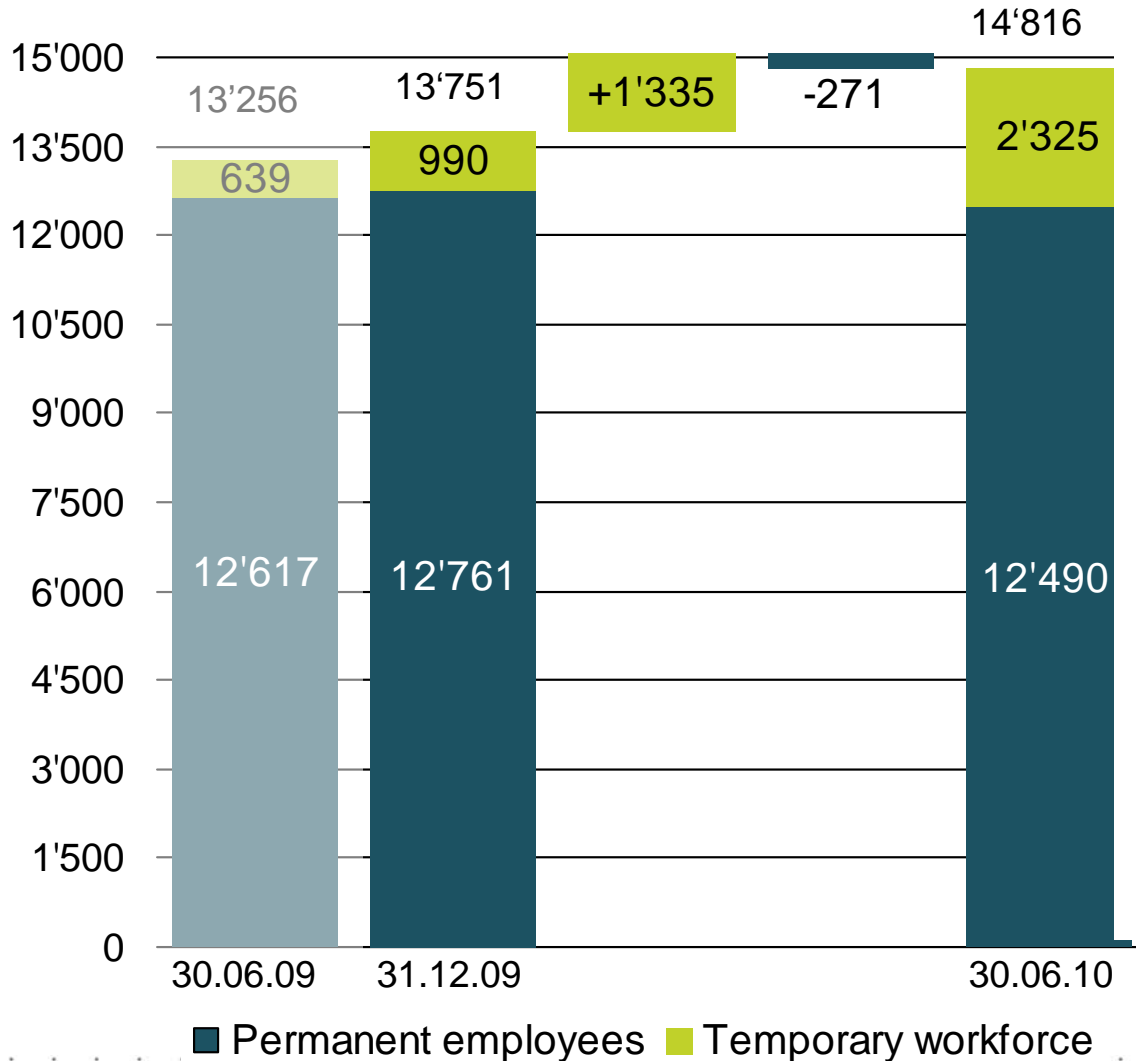
CHF million	HY1 2010	HY1 2009
Net result	-15.3	-145.5
<b>Cash flow</b>	<b>44.0</b>	-84.3
<b>Net cash flow</b>	<b>45.2</b>	-92.3
+/- Change in net working capital	-45.0	78.8
+/- Capital expenditure, net	-21.4	-9.7
+/- Change in financial assets, net	1.6	-1.9
+/- Change in securities	0.9	-5.8
<b>Free cash flow before divestments / acquisitions</b>	<b>-18.7</b>	-30.9
+/- Divestments / acquisitions	-2.1	22.1
<b>Free cash flow</b>	<b>-20.8</b>	-8.8

- Back to positive cash flow in HY1
- Cash flow increased by 128 million CHF vs 2009
- Cash flow mainly used to finance growth, Capex and restructuring cost

# HY1: Net liquidity



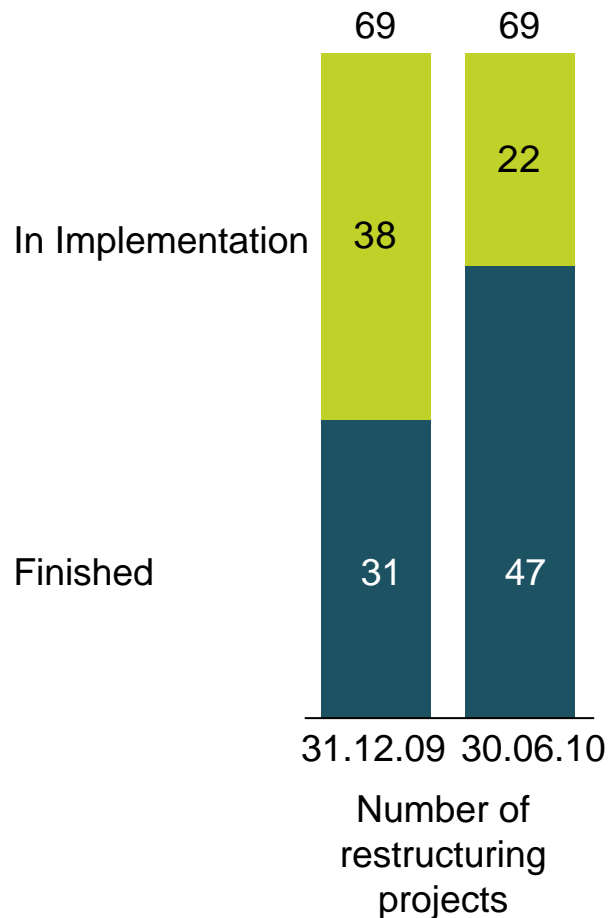
# HY1: Employees



- Reduction of 271 permanent jobs in HY1
- Reduction by restructuring/ divestiture of 715 partially offset by planned capacity expansions in Asia in both divisions
- Also Automotive Systems in North America increased capacities due to high demand
- To manage the upswing more temporary staff was hired in HY1



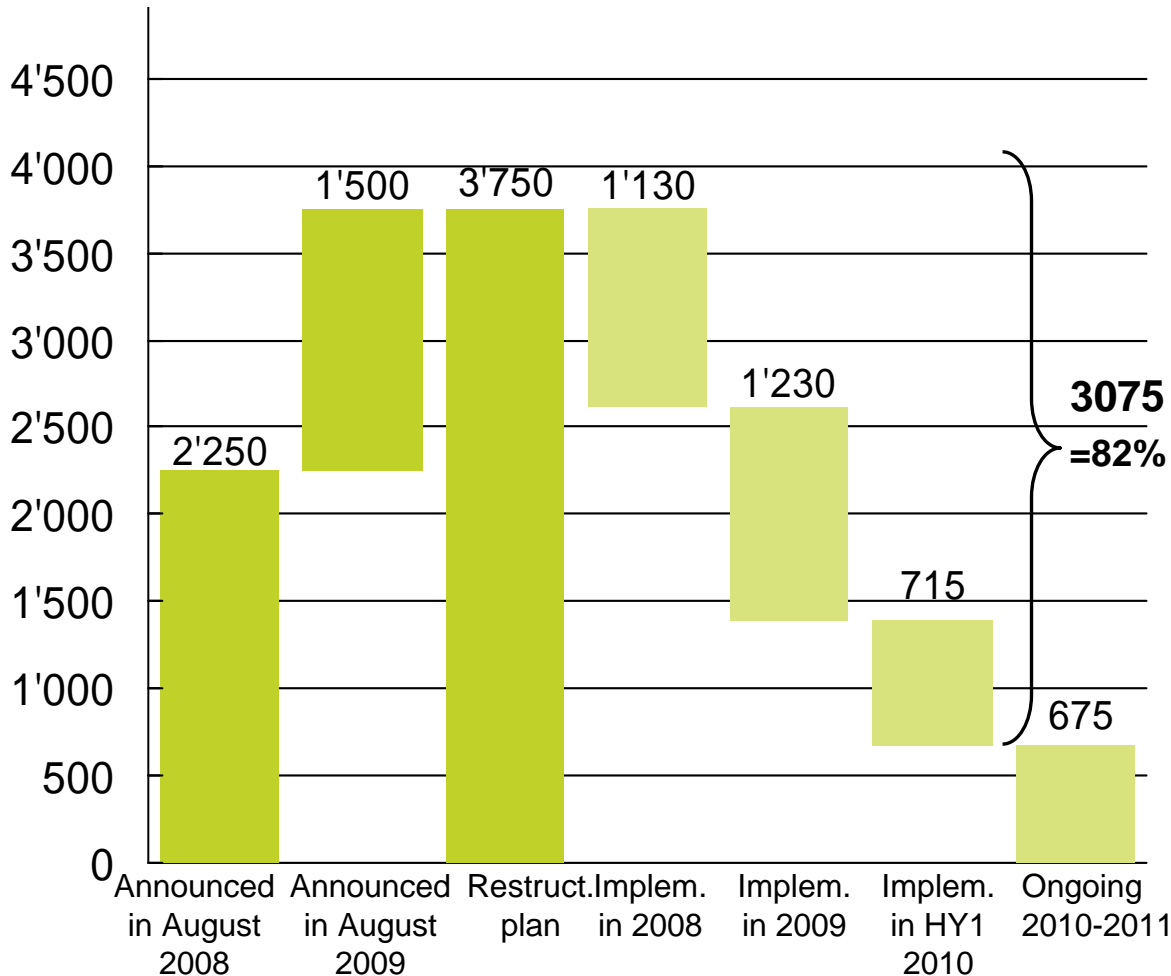
# HY1: Restructuring: Progress of program (status 30.6.10) **RIETER**



- Adjustment of plant capacities in North America and Western Europe
- Sale of non-core activities (IDEA, Perfojet)
- Majority of projects will be finished in 2010 and bring full savings impact in the course of 2011
- The remaining provisions are adequate for the restructuring needs still outstanding

# HY1: Restructuring: Personnel reductions

Full time equivalent (FTE) reductions including temporary staff



- In two stages a total cut of some 3750 jobs was announced
- 82% of these reductions took place in 2008, 2009 and HY1 2010
- The remaining reductions will take place mainly in 2010, continuing into 2011.

# Textile Systems HY1 2010

**RIETER**

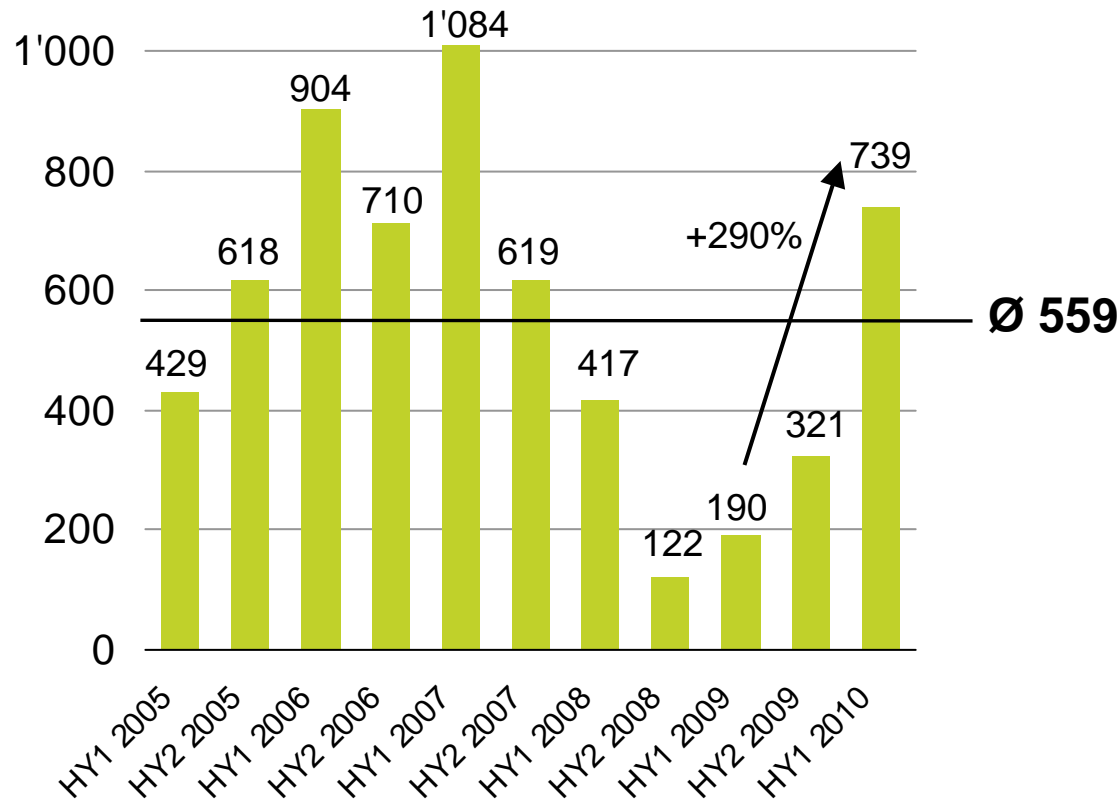
Leading systems supplier in the spinning process



# Textile Systems HY1: Orders received



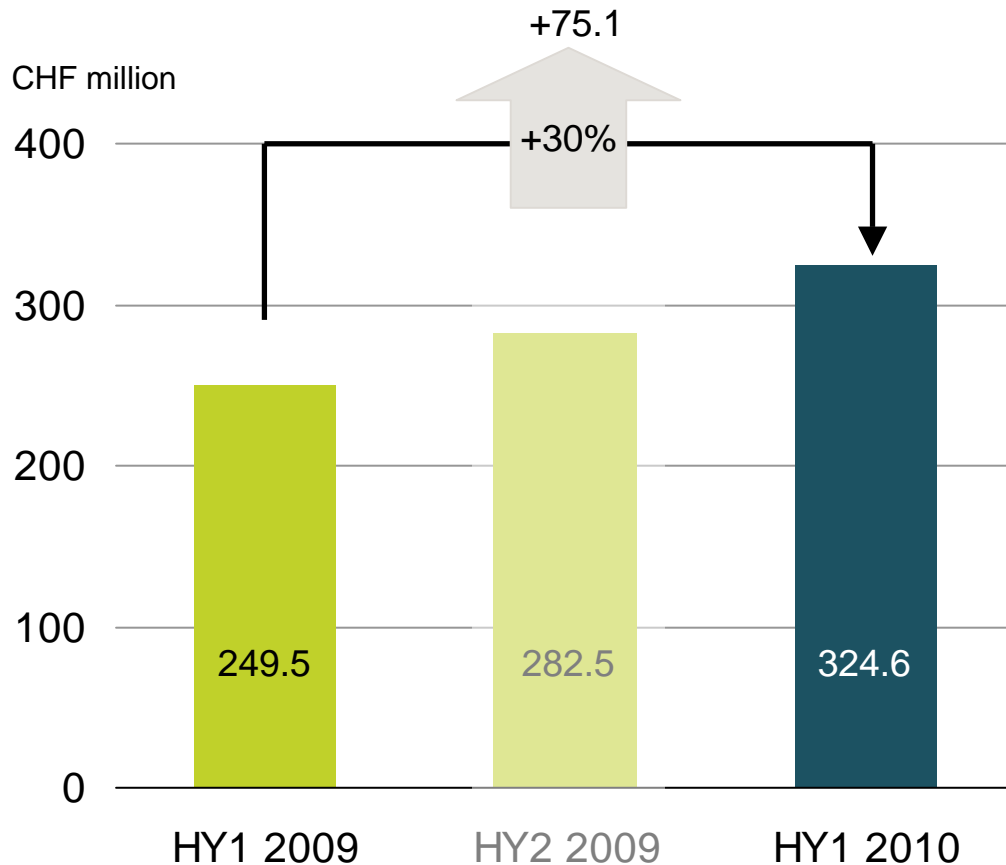
CHF million



2005-2006 adjusted for divestiture

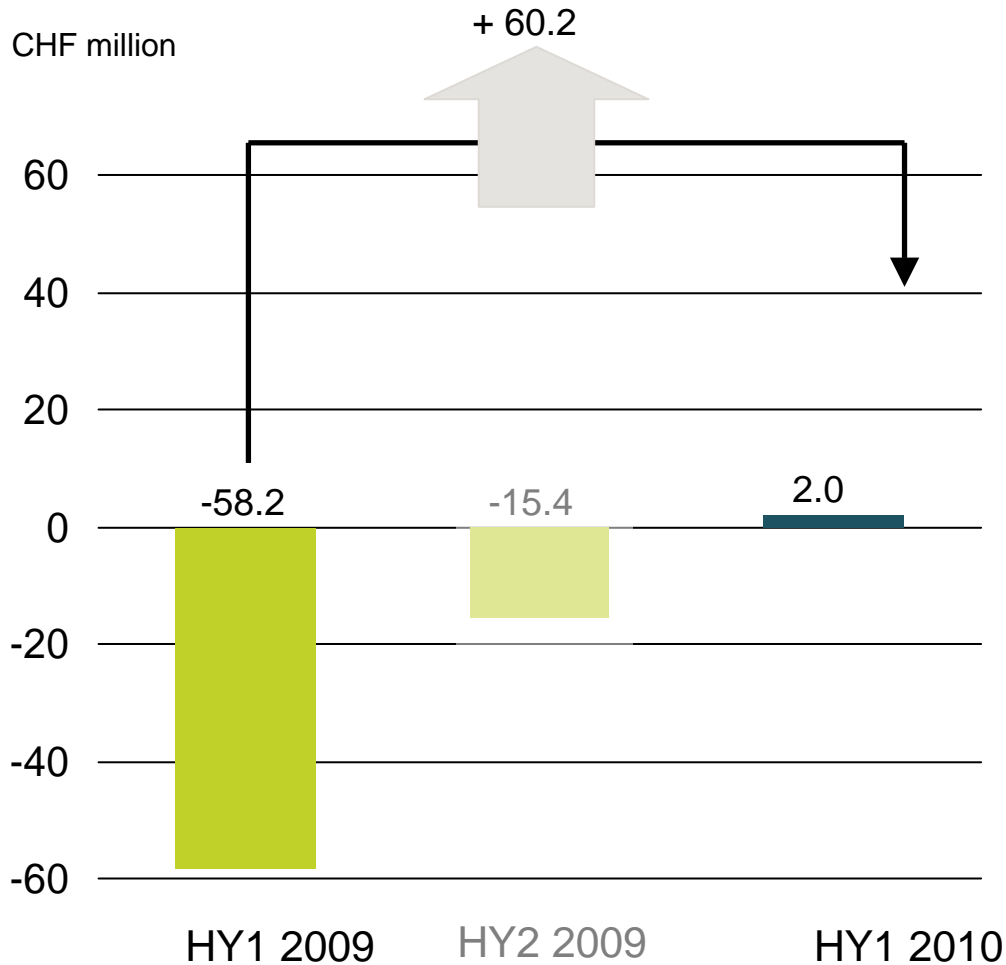
- Orders received increased by 290%
- Broad upswing with high demand from a number of countries, but strongest from Turkey, India and China
- Also great demand from other Asian markets
- Increasing demand for short staple spinning machinery as well as for technology components

# Textile Systems HY1: Sales



- Sales increased by 30% or 75 million CHF
- Sales still lagged behind strong order intake as volume of orders received exceeded deliveries
- Book-to-bill-ratio in HY1 2.28
- Largest sales in India, China and Turkey
- Sales increase for staple fiber machinery as well as for technology components

# Textile Systems HY1: Operating result (EBIT)



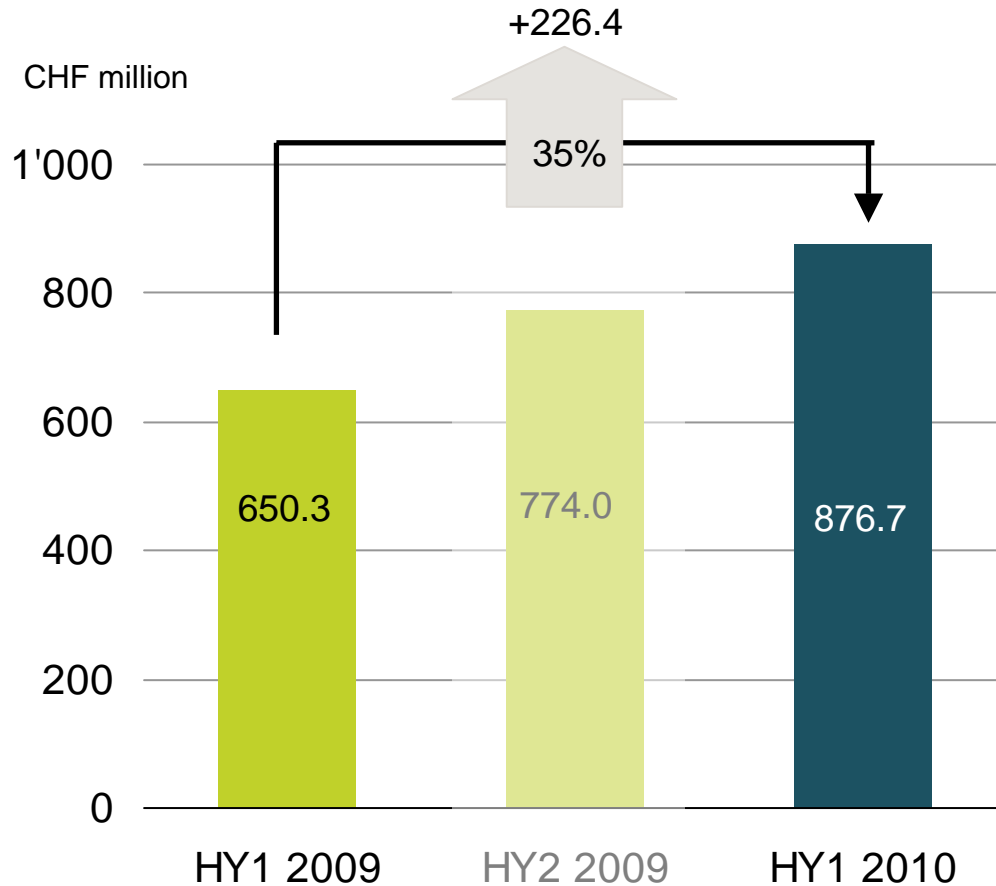
- Marginally positive operating result of 2.0 million CHF which is an improvement of 60.2 million CHF
- Main drivers are higher sales of 75.1 million CHF and the restructuring and cost-cutting programs

# Automotive Systems HY1 2010

Leading supplier of integrated acoustics systems



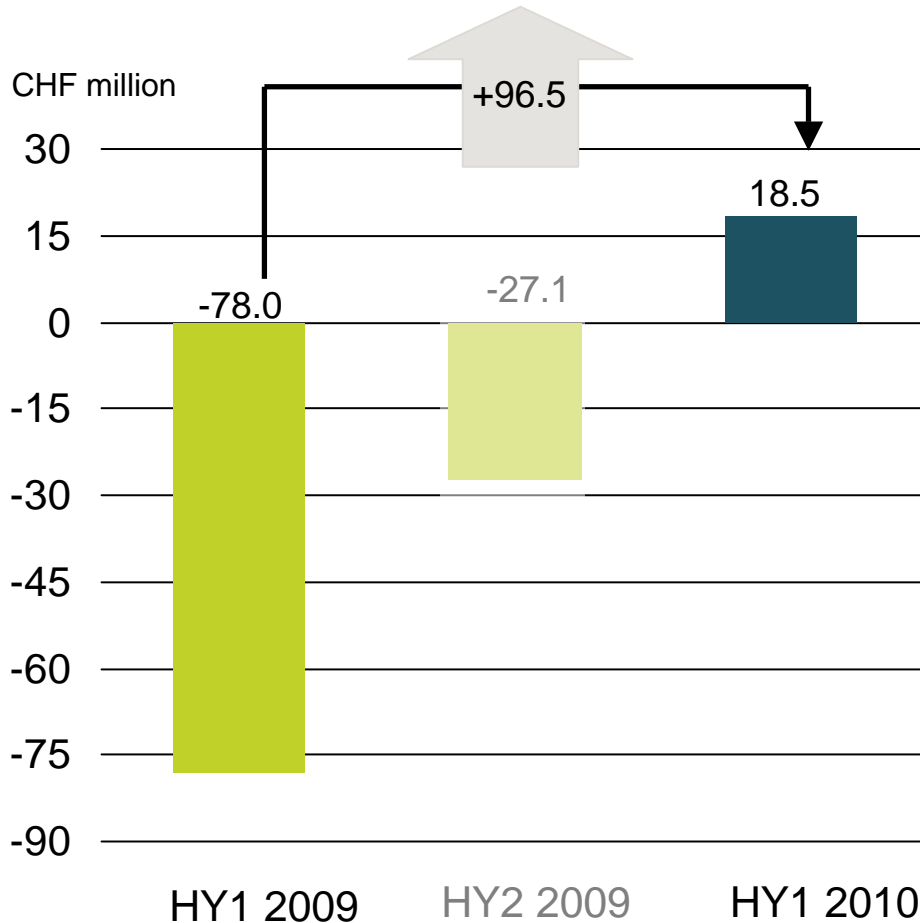
# Automotive Systems HY1: Sales



- Sales increased by 35% or 226.4 million CHF
- Organic growth in all regions thanks to a broad global customer and product portfolio
- Strongest sales increase in North and South America and in Asia
- Sales increase of some 70% in China
- New customer programs acquired in HY1 with positive sales impact in the coming years



# Automotive Systems HY1: Operating result (EBIT)



- Operating result rose to 18.5 million CHF and improved by 96.5 million CHF
- Improvement due to higher volumes of +226.4 million CHF and effects of the restructuring and cost adjustment programs



# Outlook 2010

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. Erwin Stoller, Executive Chairman . . . . .

# Measures for the way forward

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## Three directions of impact

- Lower break-even point
- Accelerate product innovation
- Take advantage of opportunities in growth markets

# Strategic steps forward: The 3 directions of impact

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## 1) Lower breakeven point

- By further lowering the break-even point we want to increase our flexibility in the extreme cyclical markets of today
- It is our strategic goal to achieve a positive operating result at the level of some 2 billion CHF
- We want to be able to manage our cyclical business without massive cuts of permanent jobs every time the cycle goes down

## 2) Accelerate product innovation

Goal: Maintain strong position in both divisions as systems supplier and expand our position in Textile Systems in the mid segment and in Automotive Systems in the small car segment

### Focus Textile Systems

- 4 new products for mid segment localized and launched in 2009/2010 (blowroom, drawframe, ringspinning, semi-automatic rotor) and new card on the way
- Only supplier worldwide with 4 spinning technologies: Ring, compact, rotor, airjet
- Technology components: Products for China and India produced in Europe (know-how protection of key components); further expansion of service and sales network in emerging markets, mainly China and India

### Focus Automotive Systems

- Reducing Co<sub>2</sub> emission: weight reduction, engine encapsulation, underbody panel
- Acoustic treatments for new powertrain concepts (hybrid, electric car, etc.)
- Growing number of smaller, louder engines need more acoustic treatments

# Strategic steps forward: The 3 directions of impact

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## 3) Take advantage of growth opportunities in China and India

Turnover in Asia HY1 2010 vs. HY1 2009

- Overproportional growth in Asia: +62% to 264 Mio. CHF
- 22% of sales in Asia (Textile: 65%; Automotive: 6%); share growing per year end

Locations

- Textile Systems, China: 1 factory, 1 additional under construction; India: 2 factories, 1 additional under construction
- Automotive Systems, China: 3 factories and 1 Development Center, 2 additional factories planned; India: 2 factories

## Assessment of markets

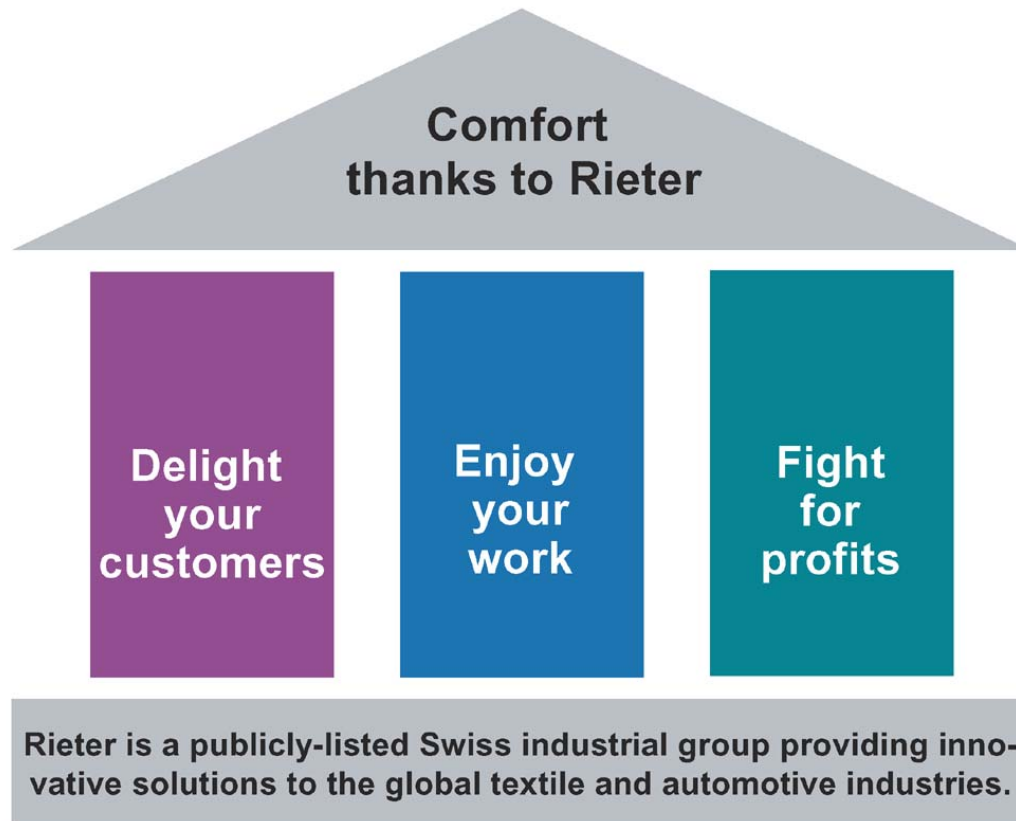
- Rieter as leading supplier to the textile machinery and automotive markets has been participating successfully in the global recovery of the two markets since mid-2009
- Demand developed especially dynamically in the first half of 2010
- Positive consumer sentiment in Europe and North America together with sustained economic growth in the large Asian markets are the main prerequisites for the continuation of this favorable trend

## Outlook full year 2010

- Rieter expects a substantial increase in sales in the 2010 financial year compared to 2009, with both divisions contributing to this trend
- In the second half of 2010 the Textile Systems Division in particular will see a further strong increase in sales compared with the first six months due to the good order situation
- Sales by the Automotive Systems Division are expected to be lower in the second half compared with the period under review due to normal seasonal factors and currency effects

- Overall, Rieter foresees an improvement in capacity utilization in the second six months driven by demand and due to the ongoing restructuring programs
- Rieter expects both divisions to post another positive operating result (EBIT) in the second half and operating margins at group level to continue their improvement
- Rieter will achieve the announced turnaround in the current year and expects to reaffirm the positive half-year operating result for 2010 as a whole
- Furthermore, Rieter already aspires to a positive net result for the current year





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