

Media Release

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01/30/2009 - Decline in 2008 orders received and sales; leading market position maintained in both divisions

The downward trend in orders received and sales at the Rieter Group continued in the 2nd half of 2008. As announced in December, orders of 2 561.6 million CHF received in the 2008 financial year were 37% lower than in the previous year, and sales of 3 142.5 million CHF were 20% lower. Both divisions were affected by the severe global drop in demand in their markets, but succeeded in maintaining their market position.

As a consequence of the financial crisis and the global economic downturn the declining trend of business in the first half of 2008 continued and intensified in the final six months of the year. In the 2008 financial year Rieter experienced a decline in demand that was unprecedented in its intensity and rapidity and for the first time affected both the textile machinery and the automotive supply business simultaneously.

The development in orders received was attributable primarily to the drop at the Textile Systems Division. The 20% decline in consolidated sales to 3 142.5 million CHF (3 930.1 million CHF in 2007) was less steep than that in new orders. This was due to the high level of orders in hand in the textile machinery business with which Rieter had started 2008, and a proportionately smaller decline in sales at Automotive Systems. Currency translation effects had a negative impact of some 3 percentage points on the development of group sales. Despite the difficult overall economic environment Rieter succeeded in maintaining – or in certain regions even improving – its market position in both divisions.

Rieter continued working on innovations at both divisions in the 2008 financial year in order to exploit its strong market position in the next cyclical upswing and expand it further with attractive products.

Textile Systems: strong decline in orders received

The trend of business at Rieter Textile Systems in 2008 was dominated by a cyclical downturn on the world market for textile machinery that had not been experienced by the industry for decades. The causes of this downswing were structural and cyclical. The dynamic expansion of the spinning industry in 2006 and 2007, especially in the principal markets of India, China and Turkey, had led to a boom in investment. This had also been driven by government incentive programs and resulted in yarn production capacity which significantly exceeds nearterm demand. The weakening effectiveness of these investment incentives, combined with a cyclical decline in fiber consumption in major sales markets such as the USA and more difficult credit conditions caused a rapid fall in customers' tendency to invest. Orders received by Rieter Textile Systems for staple fiber machinery since March 2008 have been substantially lower than in the previous year.

There was also a decline – even though less pronounced – in the market for technology components, which is generally more consistent than that for machinery. Demand for wear and tear components remained healthy.

Orders of 539.5 million CHF received by Textile Systems were 68% lower than in the record year of 2007 (1 703.1 million CHF). This was also due in part to cancelations of orders placed in the previous year. Most orders came from China, followed by smaller markets, such as Kazakhstan, Bangladesh, South Korea and Brazil, but these were by no means able to compensate for the reduction in order intake from large markets such as India and Turkey.

While the sales trend at Textile Systems in the first six months continued to benefit from the high level of orders in hand at the beginning of the year, the low volume of orders and delays in the acceptance of machines by customers in the second half of the year had a distinctly negative impact. The division's sales revenues of 1 120.4 million CHF for the year as a whole were 28% lower (1 566.8 million CHF in 2007). However, in this difficult business environment Rieter succeeded in maintaining its leadership in the market segments served mainly by Textile Systems. In 2008 first customers successfully started production with Rieter's latest spinning innovation air-jet.

Automotive Systems: downturn in the second half of the year

Global automobile production as a whole was lower for the first time in years. In 2008 it declined from 70.3 million to 68.5 million vehicles. While in North America high fuel prices, in conjunction with cyclical and structural problems suffered by the automotive industry, already resulted in a sharp fall in vehicle production in the first half of 2008, autumn saw the downswing also affecting manufacturers in Europe, Asia and South America.

Annualized production declined by 16% in North America and by more than 7% in Western Europe, particularly steeply in the fourth quarter. Since these are Rieter's main markets, this reduction could only be offset in part by deliveries in the emerging markets in Eastern Europe and Asia. The trend in these markets was positive in 2008, but was no longer as dynamic as in earlier years.

The market for heavy commercial vehicles, where Rieter Automotive generates some 10% of its sales, dropped later, but even more severely than that for passenger cars. All the major commercial vehicle manufacturers recorded massive reductions in output as of mid-2008, also in the Asian growth regions.

After years of steady growth, sales of 2 022.1 million CHF by Automotive Systems in the year under review were 14% lower (2 363.3 million CHF in 2007). Exchange rate movements had a significantly negative impact on currency translation. Sales expressed in local currencies were some 10% lower.

In this difficult business environment Rieter Automotive succeeded in maintaining its market position in its main markets Western Europe, North America and in the emerging markets by virtue of its broad-based customer portfolio and its innovative product offer. Rieter supplied the first components based on the newly developed Rieter Ultra Silent technology.

Outlook for 2008 results

As announced in December, Rieter will report a slightly positive operating result before special charges, interest and taxes in 2008. Rieter responded early and rapidly to the looming economic crisis and the market-related decline in volume. The restructuring program launched in August 2008 will lead to special charges of some 250 million CHF. Its goal is to adjust capacity to the distinctly lower volumes, to intensify extensive streamlining measures and to speed up transfers of operations from traditional to emerging regions. Impairment charges on goodwill amounting to some 100 million CHF are also necessary. The disruption to the financial markets will have a marked impact on financial results and thus also on group results.

The Rieter Group's final results for 2008 will be published at the presentation to financial analysts and the results press conference scheduled for March 24, 2009, in Winterthur.

Annual General Meeting on April 29, 2009

The 2009 Annual General Meeting will be held in Winterthur on April 29, 2009. Any proposals regarding the agenda must be submitted in writing to Rieter Holding Ltd., Office of the Group Secretary, P.O. Box, CH-8406 Winterthur, Switzerland, by February 23, 2009, at the latest, including the relevant motions and evidence of the necessary shareholdings (par value of 0.5 million CHF in conformity with Art. 699 of the Swiss Code of Obligations and §9 of the Articles of Incorporation).

Presentation for investors

You will find a presentation regarding order intake and sales in 2008 under Reports at Investor Relations.

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