

Annual Report 2009

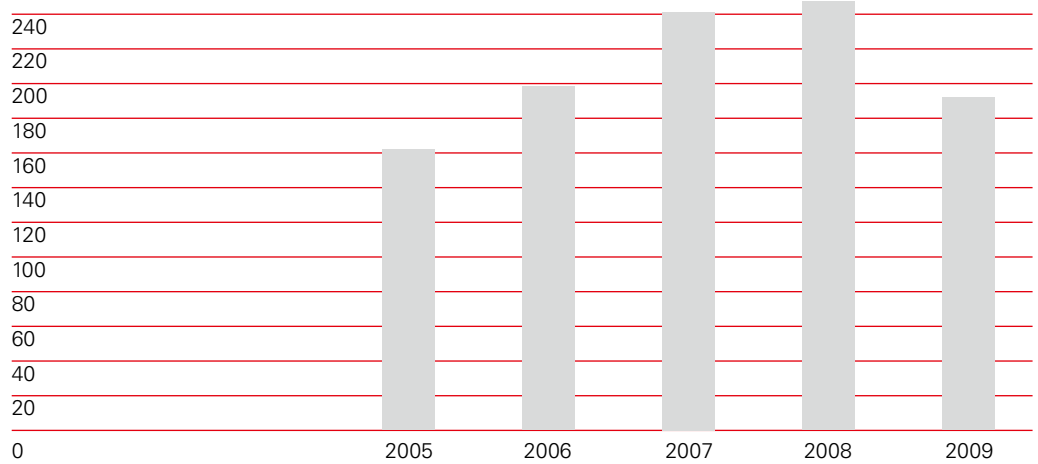


Convincing cabling solutions

Facts & Figures 2009

Sales Development

(in millions of CHF, consolidated)



Sales in millions of CHF	161.0	196.0	241.0	247.0	192.0
Growth in relation to previous year	15 %	22 %	23 %	2 %	-22 %
EBIT as a % of sales	7.0 %	12.5 %	13.0 %	7.0 %	6.0 % *

* Includes special effects related to the R&M pension fund.
EBIT over the past five years has averaged 9.0 %.

International Sales Revenues

Sales produced outside Switzerland accounted for 75 % of total sales revenues.

Development Expenses

Average development expenses over the last five years: 4.5 % of sales.

Innovation

21 % of total sales revenues in 2009 were achieved with products less than three years old.

Number of Employees as at December 31, 2009: Total 600

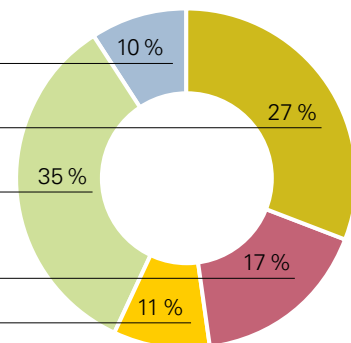
Research and Development

Production

Sales and Marketing

Purchasing and Logistics/Distribution

Management and Administration



Owners/Board of Directors

R&M is wholly owned by Messrs. Hans Reichle, Martin Reichle and Peter Reichle.

The Board of Directors comprises Hans Hess (Chairman), Hans Reichle, Martin Reichle, Peter Reichle, Hans Borner and Paul Witschi.



Martin Gasser
CFO

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Annual Topic for 2009: Focus

Even in tough economic times, R&M focuses on projects like our new building to be fit for the upturn ahead. That is why "Focus" was our motto for 2009.

Our employee Jürg Neff focused his camera on various details of the new company building in Wetzikon, Switzerland. All the pictures for the Annual Report were taken at the construction site.

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Shimmers of light on the horizon

A 45-year-old family-run company has seen its share of economic ups and downs in the course of its history. That said, the decline in sales was not foreseeable in the magnitude in which it came, around 20 %, and reflects the difficult market climate. With very few exceptions, our major markets suffered considerably from the current economic and financial crisis. We did manage to offset part of the decline in the final quarter to achieve at least satisfactory business results. With our fiercest competitors reporting even heavier sales losses, it turns out that we also increased our market shares slightly in most regions despite the adverse conditions. This fact is encouraging confirmation of our long-term innovation policy and our concentration on service and quality.

Setting our sights on long-term success

A decision was made back in early 2009 at the level of the Board of Directors, the Executive Board and the owning family to stick to the long-term strategic objectives. R&M is pursuing a sustainable company policy despite the crisis. The family company with a conservative fiscal policy proves again to be an advantageous type of company. Instead of being forced to chase after short-term profits, this company structure allows R&M to get through times of crisis with smaller profits if necessary. To this end, we have decided to go forward on the key investment projects, i.e. to phase in SAP, to strengthen our powers of innovation, to expand our fiber optic business to become the second mainstay of the company, and to complete the new company building.

Looking ahead with confidence

To ensure optimum readiness for the expected improvement in the economic climate, we have slightly enlarged our staff in strategic areas such as research and development and in product management. As part of strict cost control efforts, however, a reduction in personnel was unavoidable in other sectors.

Head of Sales is one vacant position we have still not filled. The CEO temporarily took on this position with an eye to establishing more direct contact with the key markets and more direct communication between the management and the employees in the individual regions.

Chairman of the Board of Directors and the CEO

We are also continuing to develop our corporate culture at all levels. We took a number of steps again this year to promote our code of behavior based on Evolution Drivers. Our focus has been to communicate openly. This is a strict obligation in project implementation and in our readiness to put ourselves in the customers' shoes and act with a sense of personal responsibility in every situation.

People-centered

However, it is essential that we remember those without whom we could never have handled this crisis or achieved our minimal goals. We wish to express our warm thanks to all employees for their exemplary dedication and willingness to tough out this critical period together with the management and the family who owns the company. We thank our customers for the trust they have put in R&M and for their insistence on top quality and top service. To our suppliers and partners, we express our thanks for collaborating with us so trustfully in these less than tranquil times. We look forward to sharing a successful future with all of you.

For the Board of Directors



Hans Hess, Chairman

On behalf of the Management



Martin Reichle, CEO



Hans Hess
Chairman of the Board of Directors



Martin Reichle
CEO

Focused Development of our Core

Responding with technological innovation

We responded to the economic challenges of this past year with technological innovations and expanded global solutions. These efforts were based on a development strategy aimed at achieving sustainability and at covering the promising market trends of the future with compelling products and solutions in order to improve our position as technology leader.

Push to develop technologies for the future

In a few years, optical data transmission and transmission over copper conductors will be operating at least equally in nearly all areas. That is why we have focused on building up our FO skills and on anchoring FO expertise firmly at all relevant levels of the company. Our new FTTX solutions are particularly significant in this context. They allow us to achieve holistic fiber optic solutions for the passive infrastructure of network providers at an optimum cost.

With a clear vision and the integration of internal and external skills and resources, we are now ready to become a major global player in FTTX solutions.

Total solutions to increase benefits for customers

In the data center segment, we have responded to specific requests from customers with a complete solution. The prototype enjoyed an enthusiastic reception from our customers and business partners. We are convinced that our customers can derive crucial competitive advantages from tailor-made solutions.

New potential from leading products

We are defending our position as engineering leader in the copper segment with the newly developed Cat. 6_A RJ45 module. These modules are produced on a completely new and fully automatic assembly line that thoroughly checks each and every individual module.

Skills – Report from the CTO

Optimized processes as a solid foundation

The culture of innovation at R&M is traditionally strong and became even more so this past year. The structured innovation process ensures that planning is geared to strategic goals and creates the necessary transparency at all levels and in each phase, from idea generation to marketing. A newly installed state-of-the-art Intranet platform uses virtual project rooms to open up completely new possibilities for project collaborations and supports the processes all the way to the sales front.

An integrated development process unites product development and market and production launches and allows us to shorten our time to market even more.

One focal point of our ongoing R&M Academy training program is to hone our project skills. This past year we also invested in new IT tools for multiproject and portfolio management.

By constantly adapting our development and process organization (ETOP, PSC), we ensure that even customer-specific projects can be carried out more efficiently and more quickly. They cover the kinds of customer needs that vary locally.

We have done our homework and look with optimism to the future.



Martin Rosatzin, CTO



Martin Rosatzin
CTO

Forward-looking investments for the future

A company that can make forward-looking investments in economically challenging times – and we are one such company thanks to our prudent fiscal policy – will have all the more energetic start in the upturn to come. This is the basis for clearly focused economic success. It was with this conviction that we launched or continued crucial projects this past year.

Biggest investment in the company's history

Construction of our new innovation, production and logistics center at the headquarters in Switzerland is progressing quickly. Sustainability and progressiveness are two fundamental principles in our long-term business strategy. The new company building is designed in accordance with the most stringent ecological criteria and is intended to safeguard the company growth for which we strive. Known as the R&M Cube, it is one of the largest low-exergy corporate structures in Switzerland. In the winter it is heated by means of borehole heat exchangers (BHE), which also provide cooling in the summer. We dispense entirely with the use of fossil fuels such as oil and natural gas. Energy consumption is about 30 % lower than in conventional buildings. We will move into the new building in the summer of 2010. It will enable us to simplify our processes and noticeably increase the efficiency with which we provide our product solutions. The R&M Cube is part of the counter-cyclical investments we are making in spite of the tough economic situation.

Big providers posing big challenges

In recent months we received an increased number of complex project contracts from providers of public communications networks. Executing contracts like these poses exacting requirements for our sales organization and for the flexibility of our entire supply chain. Existing solutions in the copper and FO segments have to be quickly adapted to satisfy specific customer requests.

Closer to key markets

The regional supply chain hub we set up in the United Arab Emirates is our second worldwide after Singapore. It will allow us to step up our coverage of key future markets in the Middle East. The main aim of these efforts is to increase customer benefits and to optimize logistics costs for meeting the tougher customer requirements mentioned above. From now on, customer-specific solutions will be manufactured and delivered in the region. Plans for further regional hubs in Western and Eastern Europe are also at an advanced stage.

Focus on customers thanks to increased IT efficiency

A new high-powered SAP business management system is being phased in at headquarters in Switzerland and in our organizations in Western Europe and Latin America. This is yet another important step toward implementing our strategy of bringing our top services even more quickly and directly to our customers.



Peter Reichle
COO

A handwritten signature in black ink, appearing to read 'P. Reichle', written in a cursive style.

Peter Reichle, COO

Shifting Focus from Internationaliza

Powers delegated to the regions

R&M ventured entering international business 25 years ago and greatly increased its export rate this last decade with every passing year. In 2009 we consolidated changes of recent years, all of which were shaped by rapid growth. We eliminated bottlenecks, made processes leaner and improved the organizational structures. With our decision to form seven sales regions, we are now closer to our end customers worldwide in every respect. We will delegate more responsibility to the regional organizations and improve local expertise, be it for fielding customer requests or handling orders, be it in the technical background of customer service staff or in cooperation with local and regional installation partners. Customers will benefit from our better understanding of their requests and our faster response to their inquiries.

Markets with potential for development

We are present in a number of markets and are considered top players in important regions. Yet there is still potential for development everywhere.

We may generate some 75 % of our total sales in Europe, but demand is growing in several countries and we have to step up our coverage of these markets to satisfy this demand.

However, our biggest potential is certainly in Asia. We view mainly China and in recent times also India as powerful drivers of growth in that market. Solid prospects for new orders also exist in the Middle East, where we are among the most important suppliers.

Contrary trends in certain sectors

As we all know, the economic difficulties the world is now facing originated in the financial sector. This sector still accounted for 15 % of our total sales last year but projects in it were understandably curtailed. Structured building cabling was another segment that suffered from the sharp decline in construction in many countries.

Promising opportunities are emerging in the telecom market, however. Project business is traditionally long-term and demand for it was stable. We offset certain declines in demand from existing customers by landing new telecom projects. The worldwide expansion of fiber optic networks in the FTTH segment (Fiber To The Home) continued to yield us encouraging contracts. The market leader in Switzerland intensified its cooperation with us in the FO segment last year and key international accounts are planning to develop new countries and markets in close cooperation with us. We look with optimism to the future with respect to these efforts.



Martin Reichle
CSO

Martin Reichle, CSO

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