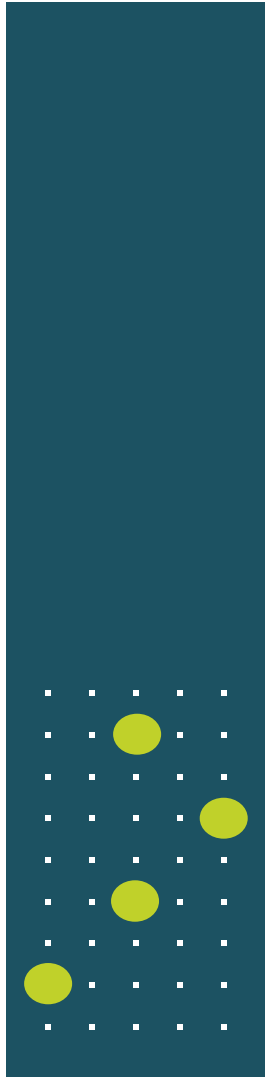




# 2012 Half Year Results

Erwin Stoller, Executive Chairman  
Joris Gröflin, Chief Financial Officer

1. Introduction and summary of first half year 2012
2. Financial results first half year 2012
3. Outlook



“In a challenging first semester 2012 Rieter succeeded to improve its market position and at the same time to push forward the investment program according to plan.”

Erwin Stoller

Executive Chairman

## Slight improvement in market conditions, investment program on track

### Market development

- Slight improvement of market environment with stabilizing spinning mills margins
- Indian market still depressed in the south but in the north improving, China, Turkey and other large markets still hesitant as down-stream demand remains volatile
- Government incentive programs up for release in India and Turkey

### Strategic / operational

- Sales in China increased y-o-y despite slow-down in this market
- Successful fairs in Turkey and China held
- New Comber E 80 and component innovations presented


### Investment program

- Program on track
- Expansion in Asia: First milestone in Changzhou achieved with first hall now operational
- Airjet introduction ongoing
- Process improvements proceed along plan

### Financial

- Order intake at 404 million CHF above level of second half year 2011
- Sales lower by 9% at 487 million CHF, corporate output at 441.4 million CHF
- Operating profitability (EBIT) at 7.2% of corporate output, before strategic projects at 10.1% of corporate output

## Slight improvement despite still subdued demand especially in India

- 
- Spinning mill margin has been improving since August 2011, but downstream buying behaviour very volatile as raw material prices have shown a negative trend and demand for textiles especially in Europe has been decreasing.
  - Chinese market is generally weaker due to locked-in raw material prices – but looking for automation and upgrade in equipment.
  - In Turkey, government incentive program has been announced but not yet shown large effects.
  - India is still depressed, but spinning mills show increased competitiveness through weak currency. North India is less affected than the south. Government incentive program (debt relief) has been announced.
  - In other countries development is heterogeneous, but overall fairly stable.

## Progress in Asia and in innovations, process improvements started

### Expansion in Asia



- Inauguration of first stage of a further manufacturing facility in Changzhou (China)
- New premises already operational
- Finalization according to plan (mostly at end of 2013)

### Innovation



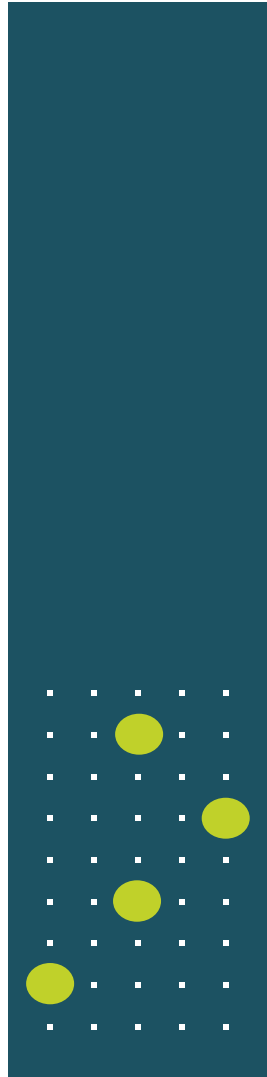
- Airspinning machine (J 20) well received at ITMA Asia
- First J 20 full system operational at client

### Process improvements



- Global processes defined
- Progress according to schedule

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## Sales 9% below HY1 2011 but orders increased 41% versus HY2 2011

### Order intake

- Order intake at 404.1 million CHF – a decrease of 40% against HY1 2011 but an increase of 41% against HY2 2011
- Order backlog above 515 million CHF, parts of it reaching already into 2013

### Sales

- Sales decrease by 9% to 487 million CHF
- Spun Yarn Systems with –6%, Premium Textile Components with –23% versus HY1 2011

### Profitability

- EBIT margin at 7.2% of corporate output (CO), before strategic projects at 10.1% of CO
- Spun Yarn Systems with 7.6% of CO, Premium Textile Components with 7.9% of CO

### Net profit

- Net profit margin at 5.0% of corporate output (CO)
- Earnings per share of 5.17 CHF

### Investments / Innovation

- Capital expenditure of 24.3 million CHF mainly driven by investments in Asia
- R&D expenditure continued strong with 20.9 million CHF (equivalent to 4.7% of CO)

### Free cash flow

- Free cash flow of –15.5 million CHF impacted by seasonally high net working capital
- Net liquidity at good 107.4 million CHF

### Dividend policy

- Dividend of 6 CHF per share paid in April 2012
- Equity ratio at 35%



# Rieter – Financial key figures



## Development of key figures by half year

| CHF million                 | <b>HY1<br/>2012</b> | HY2<br>2011 | HY1<br>2011 | FY<br>2011 |
|-----------------------------|---------------------|-------------|-------------|------------|
| Order intake <sup>(1)</sup> | <b>404.1</b>        | 287.0       | 671.3       | 958.3      |
| Sales                       | <b>487.3</b>        | 523.0       | 537.8       | 1060.8     |
| Corporate output (CO)       | <b>441.4</b>        | 490.6       | 551.9       | 1042.5     |
| EBIT <sup>(2)</sup>         | <b>32.0</b>         | 42.0        | 70.6        | 112.6      |
| EBIT margin (of CO)         | <b>7.2%</b>         | 8.6%        | 12.8%       | 10.8%      |
| Net profit <sup>(3)</sup>   | <b>21.9</b>         | 28.0        | 91.0        | 119.0      |
| R&D expenditures            | <b>20.9</b>         | 20.2        | 19.3        | 39.5       |
| Capex                       | <b>24.3</b>         | 42.9        | 14.4        | 57.3       |

(1) Including cancellations of 113 million CHF in HY2 2011, prior cancellations: order intake of 400 million CHF in HY2 2011

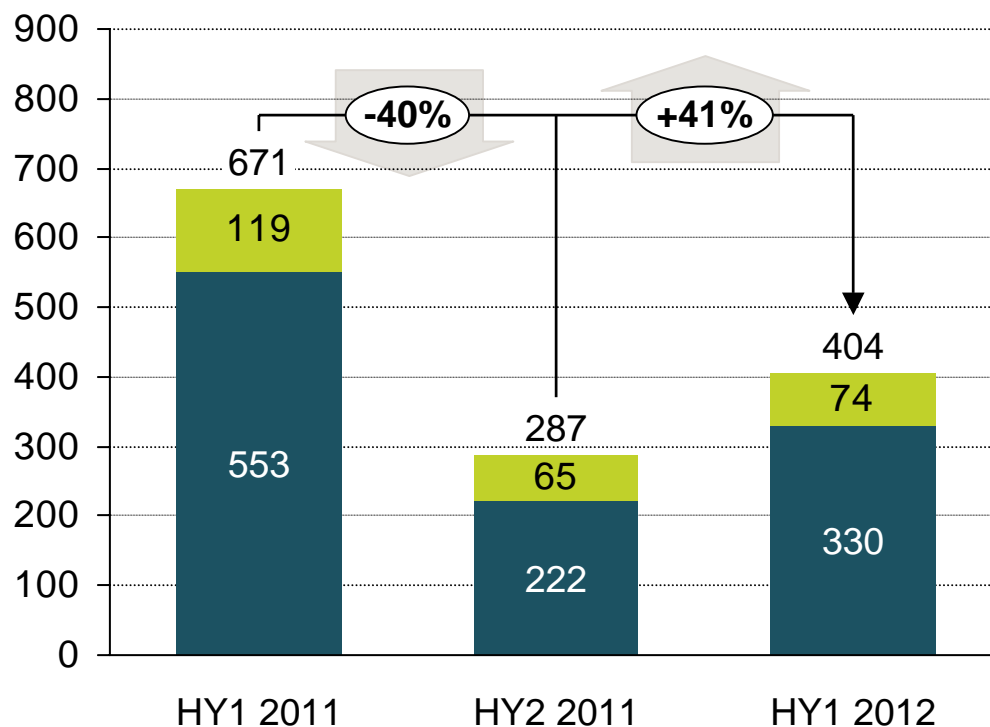
(2) Includes strategic project costs (HY1 2012: 12.5 million CHF, HY2 2011: 14.8 million CHF, HY1 2011: 7.1 million CHF); HY1 2012 includes disposal gain from Czech production facilities of 6.0 million CHF

(3) Continued operations; HY1 2011 includes divestment gain from LMW shares of 42.3 million CHF

# Orders by Business Group

Order intake increased 41% versus HY2 2011

CHF million



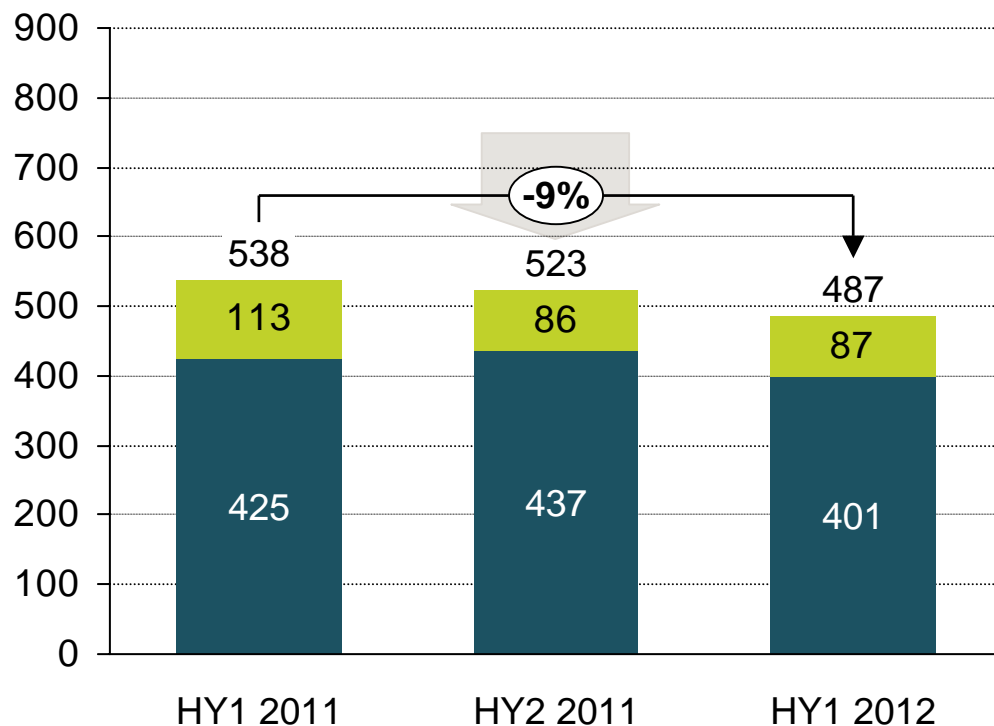
Premium Textile Components Spun Yarn Systems

- Order intake 40% lower compared to HY1 2011
- Against HY2 2011 orders increased 41% driven by SYS (+48%) and PTC (+14%)
- Order intake in China in HY1 2012 exceeded HY1 2011
- Orders were widely spread, led by dominating countries China and Turkey. Demand from India was very weak
- Solid order backlog of more than 515 million CHF, parts of it reaching already into 2013

# Sales by Business Group

Sales decreased 9% versus HY1 2011 to 487 million CHF

CHF million



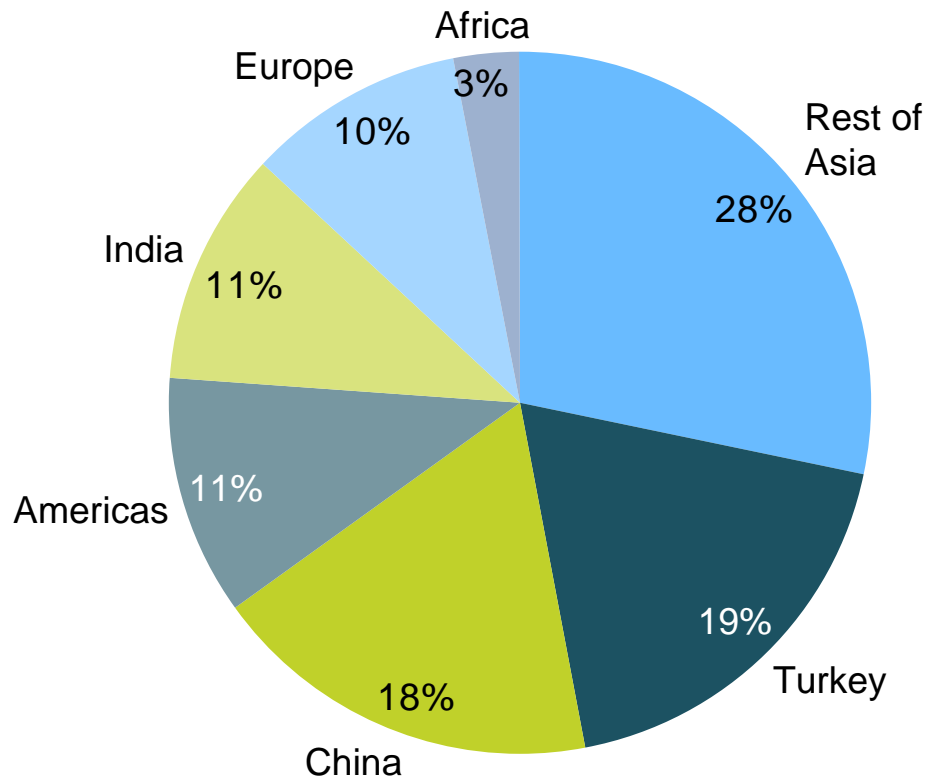
■ Premium Textile Components 
 ■ Spun Yarn Systems

- Sales decline by both Business Groups
  - SYS: -6% (local currency -6%)
  - PTC: -23% (local currency -21%)
- SYS sales development with > 400 million CHF relatively stable against previous periods
- PTC sales slightly above HY2 2011 despite lower OEM demand
- Corporate output decreased by 20% due to lower workload and reduction of finished goods inventories

# Sales distribution HY1 2012

## Sales growth in China and Rest of Asia but decline in India

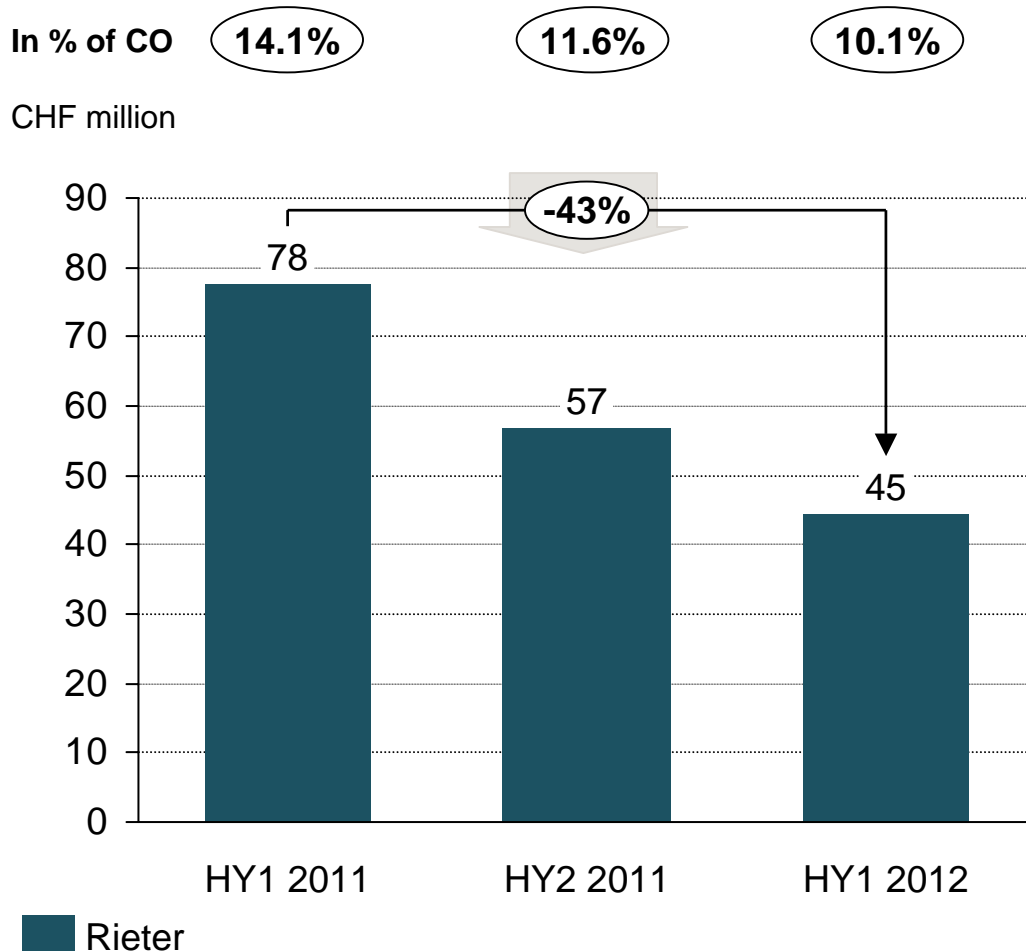
HY1 2012, sales distribution in %



- Rest of Asia grew 13% mainly in South Korea, Bangladesh, Indonesia and Pakistan
- Sales in Turkey decreased by 6%
- Sales growth in China continued also in HY1 2012 with +17% against HY1 2011
- Sales in North and South America decreased by 8%
- Sales in India decreased substantially by 54%
- European sales decreased by 27%

# Operating result (EBIT) before strategic projects

## EBIT margin before strategic projects at 10.1% of corporate output

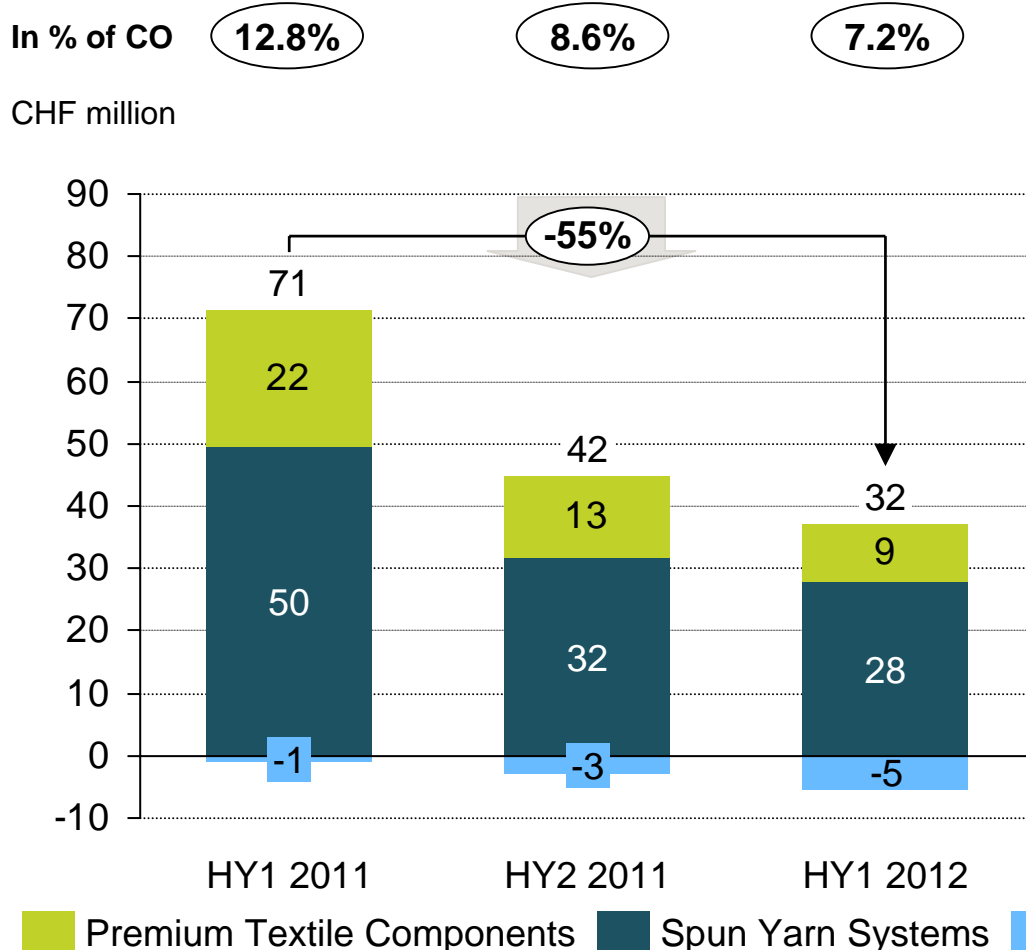


- Both Business Group's profitability decrease were impacted by
  - volume decrease,
  - significantly lower sales in India,
  - Increased pricing pressure on Swiss Franc denominated sales
- Disposal gain of 6.0 million CHF from sale of Czech production facilities in HY1 2012
- R&D expenses held at 20.9 million CHF (equivalent to 4.7% of corporate output)

# Operating result (EBIT) by Business Group



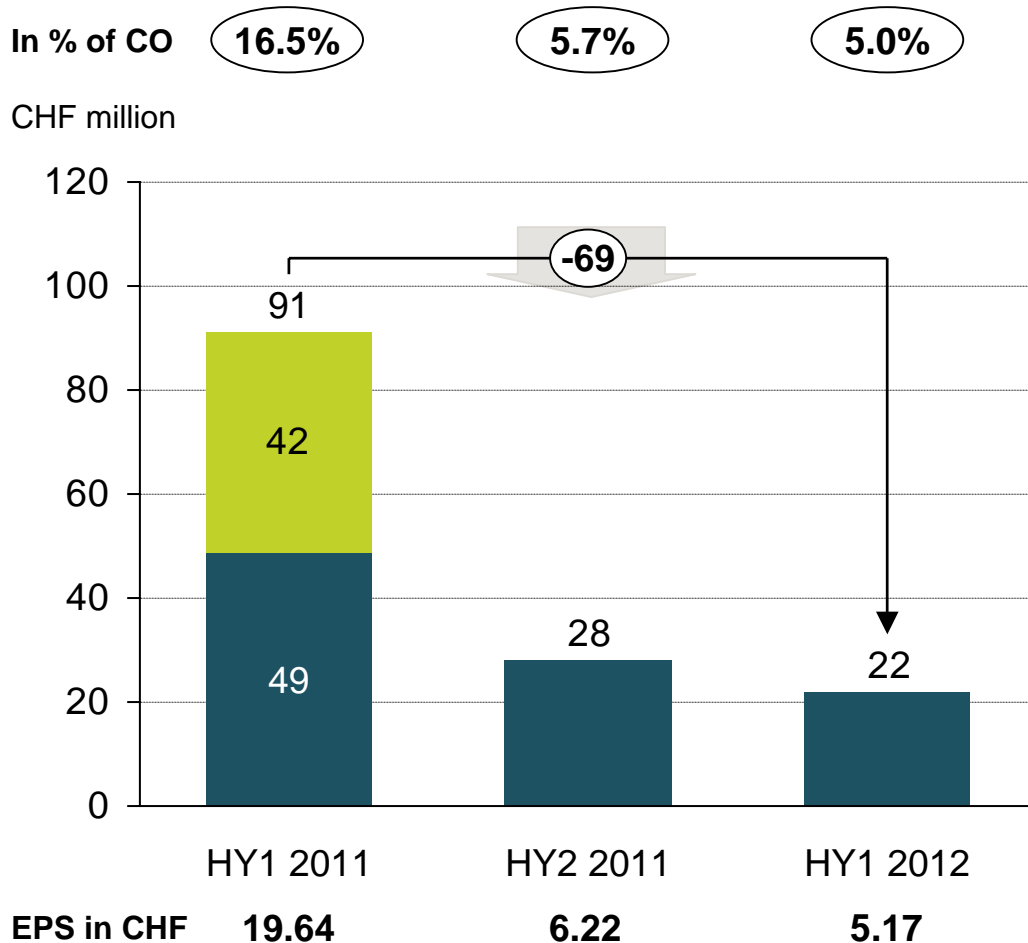
**Volume decrease and investment program costs lead to lower EBIT margin**



- Investment program impacted in HY1 2012 Rieter EBIT with 12.5 million CHF equivalent to 2.8% of corporate output (HY1 2011: 7.1 million CHF)
- Investment program 2012/2013 consists of
  - Expansion in Asia
  - Innovation
  - Process improvements

# Net profit

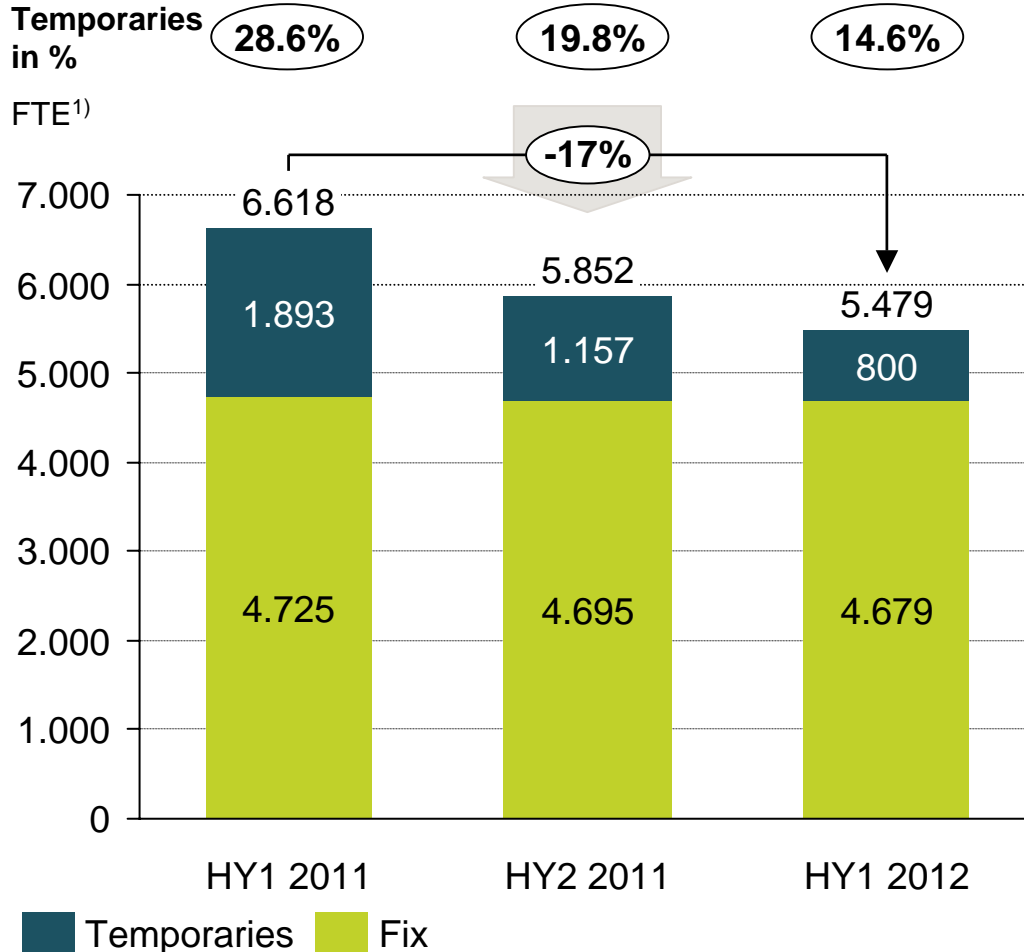
## Net profit margin at 5.0% of corporate output



- Net profit decreased to 21.9 million CHF compared to previous exceptional half-year, which included sale of LMW shares amounting to 42.3 million CHF
- Gain on sale of investments of 4.4 million CHF realized
- Financial result of -7.9 million CHF mainly due to interest costs
- Tax rate at 23%
- Earnings per share at 5.17 CHF

# Changes in workforce

## Flexibility mainly through temporary personnel



- Decrease in sales by 9% and corporate output by 20% has been followed by reduction of workforce in particular through significantly lower temporaries
- Fix personnel reduced despite ongoing build-up in China and India
- Hiring freeze initiated in second half year for indirect personnel is ongoing

1) Excluding apprentices, including temporary employees



# Balance sheet



**Solid net liquidity of 107.4 million CHF and equity ratio of 35%**

| CHF million               | <b>30.06.<br/>2012</b> | 31.12.<br>2011 | 30.06.<br>2011 |
|---------------------------|------------------------|----------------|----------------|
| Total assets              | <b>1061.7</b>          | 1111.4         | 1135.5         |
| Non-current assets        | <b>325.5</b>           | 322.0          | 301.2          |
| Net working capital       | <b>85.2</b>            | 53.3           | 65.6           |
| Liquid funds              | <b>362.3</b>           | 415.6          | 428.5          |
| Net liquidity             | <b>107.4</b>           | 159.0          | 149.8          |
| Short-term financial debt | <b>6.7</b>             | 3.1            | 6.0            |
| Long-term financial debt  | <b>248.2</b>           | 253.5          | 272.7          |
| Shareholders' equity      | <b>373.8</b>           | 387.7          | 360.4          |
| in % of total assets      | <b>35%</b>             | 35%            | 32%            |

- Dividend of 27.7 million CHF paid out in April, 2012
- Net liquidity of 107.4 million CHF remains solid
- Shareholders' equity ratio remains at 35%
- Bond of 250 million CHF (2010 – 2015, 4.5%) secures financing of business development

# Net working capital



## Net working capital increases in HY1 2012 to 85.2 million CHF

| CHF million                | <b>30.06.<br/>2012</b> | 31.12.<br>2011 | 30.06.<br>2011 |
|----------------------------|------------------------|----------------|----------------|
| Inventories                | <b>208.7</b>           | 234.8          | 251.0          |
| Trade receivables          | <b>121.9</b>           | 84.1           | 90.4           |
| Other receivables          | <b>43.3</b>            | 54.9           | 64.4           |
| Trade payables             | <b>-72.4</b>           | -86.4          | -74.2          |
| Advance payments           | <b>-74.8</b>           | -89.8          | -83.7          |
| Other current liabilities  | <b>-141.5</b>          | -144.3         | -182.3         |
| <b>Net working capital</b> | <b>85.2</b>            | 53.3           | 65.6           |

- Corporate output decrease leads to reduction of inventories by 26.1 million CHF
- Net working capital increases seasonally due to high sales end of Q2 with subsequent increase of trade receivables (+37.8 million CHF)
- Advance payments from customers continue to partially finance inventories

# Free cash flow

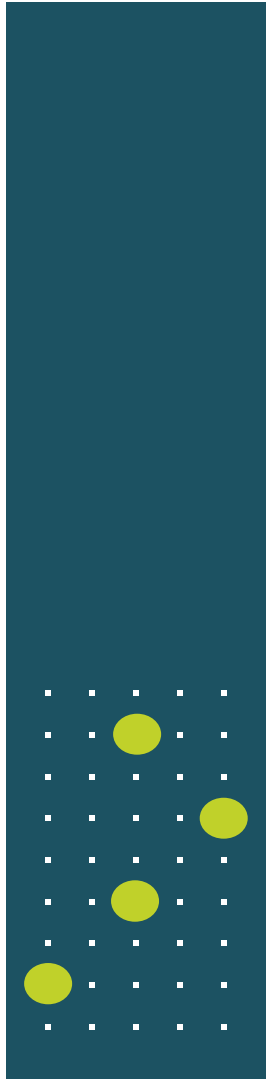


## Free cash flow of –15.5 million CHF impacted by net working capital swing

| CHF million                          | <b>HY1<br/>2012</b> | HY1<br>2011 |
|--------------------------------------|---------------------|-------------|
| Net profit                           | <b>21.9</b>         | 91.0        |
| Interest and tax expense (net)       | <b>13.2</b>         | 24.3        |
| Depreciation and amortization        | <b>16.1</b>         | 17.2        |
| Reversal of disposal gains           | <b>-13.3</b>        | -44.1       |
| +/- Change in net working capital    | <b>-34.3</b>        | -30.6       |
| +/- Interest paid / received (net)   | <b>-10.1</b>        | -8.2        |
| +/- Taxes paid                       | <b>-10.4</b>        | -16.2       |
| +/- Capital expenditure, net         | <b>-20.3</b>        | -12.2       |
| +/- Change in other financial assets | <b>-0.1</b>         | -0.2        |
| +/- Divestments                      | <b>21.8</b>         | 42.3        |
| <b>Free cash flow</b>                | <b>-15.5</b>        | 63.3        |

- Free Cash Flow is negatively impacted by net working capital increase of –34.3 million CHF due to high sales in June (higher trade receivables of 37.8 million CHF against year-end)
- Increase in capital expenditures is mainly driven by investment program

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## Rieter: Good progress with strategic projects in a steady half year

- Market position improved
- Higher order intake than in the second half of 2011
- Lower sales, as expected
- Profitability reduced by lower volumes and the investment program
- Investment program 2012/2013 on track

- Rieter will continue intensified investment activity through the 2012 financial year to lay the foundations for further profitable growth. To accelerate expansion in Asia and product innovation, Rieter plans investment activities totaling around 90 million CHF in 2012 and 2013, about half of which due in 2012. Investments totaling around 50 million CHF are planned in 2012/2013 for further improving global processes, just over half of which in the financial year 2012.
- Rieter business activities are broadly based worldwide. Heterogeneous market development is expected to continue in 2012. Due among other reasons to uncertain economic policies in major national markets, it is difficult to forecast textile machinery industry developments for the current year. Further trends depend on various factors including currency exchange rate developments, consumer sentiment in Europe and North America, fiber consumption growth in Asia, and raw material prices.
- Rieter currently reckons in the second semester with a weaker trend in sales compared to the first semester as part of the order backlog reaches into 2013. Rieter expects operating profitability (EBIT) in the second semester to follow volume development and the planned investment activity in growth projects and process improvements to further reduce operating margin (EBIT) by around three percentage points.

# Guidance over the cycle

|                 | Over the cycle                                       |
|-----------------|--|
| Sales           | Sales growth of > 5%                                 |
| EBIT margin     | > 9% over the cycle,<br>peak years > 12%             |
| Net result      | > 6 % over the cycle,<br>peak years > 8%             |
| RONA            | peak years > 14%                                     |
| Capex           | 4 – 5 % of corporate output                          |
| Dividend policy | Target pay-out ratio of<br>approx. 30% of net result |

# Agenda 2012

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**HY1 2012 results publication / conference call:**

July 25, 2012

**Analyst briefing:**

October 31, 2012

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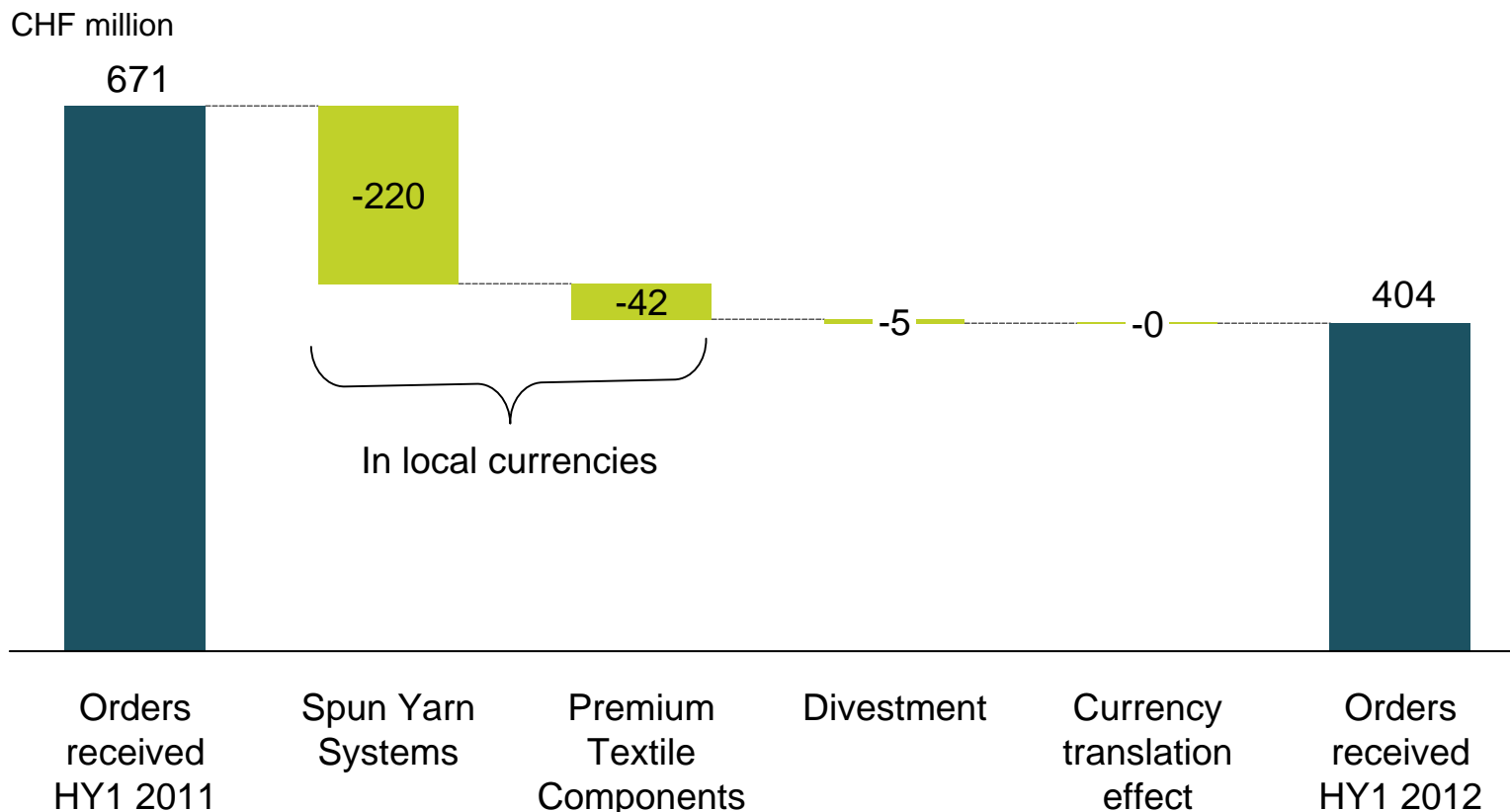
# Appendix



# Order intake development



## Order intake decline in both Business Groups



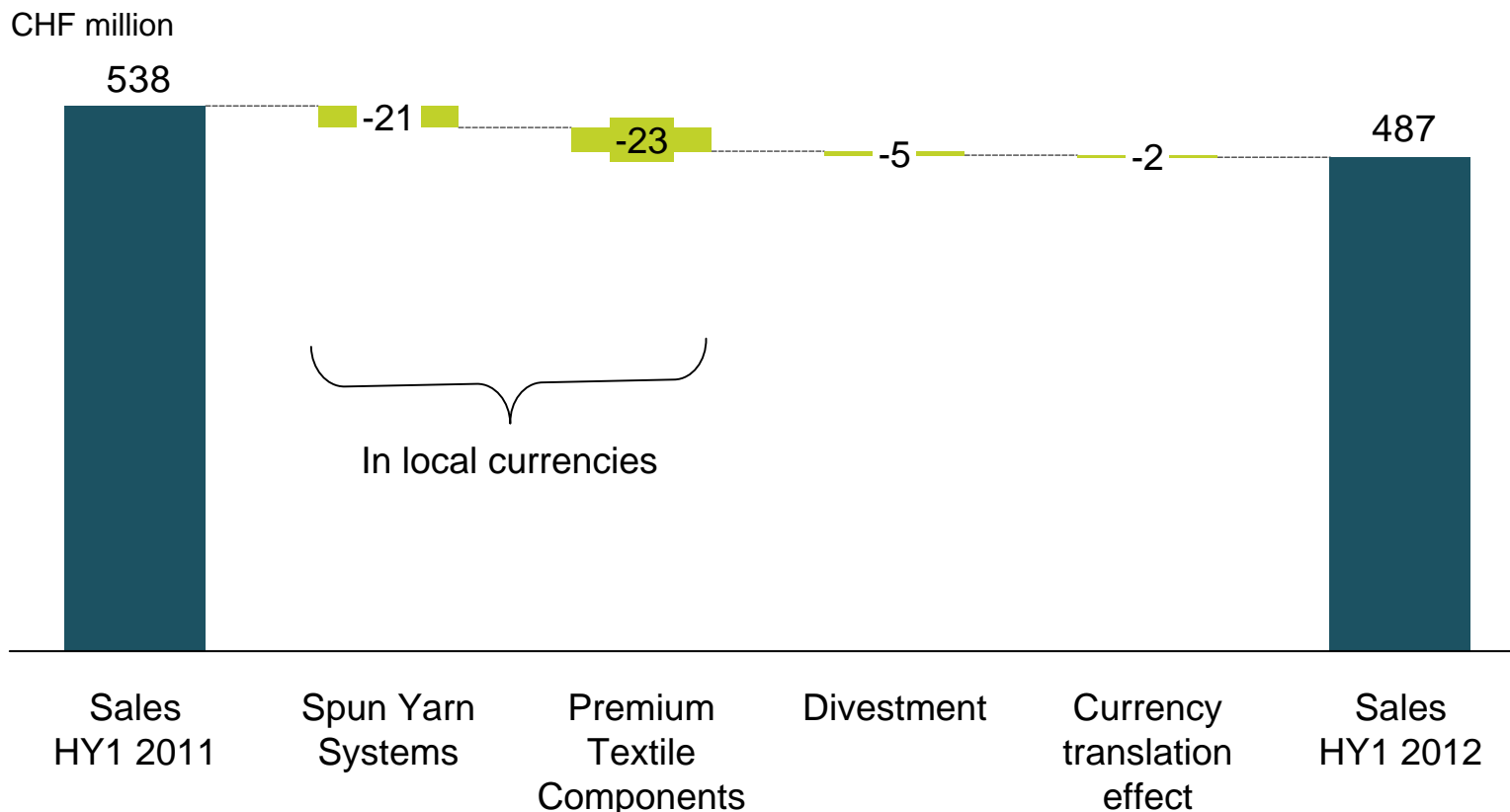
Main exchange rates in CHF:

|           |            |            |             |            |
|-----------|------------|------------|-------------|------------|
| HY1 2012: | EUR = 1.20 | USD = 0.93 | CNY = 14.70 | INR = 1.78 |
| HY1 2011: | EUR = 1.27 | USD = 0.90 | CNY = 13.84 | INR = 2.01 |

# Sales development



## Sales decrease at similar level in both Business Groups



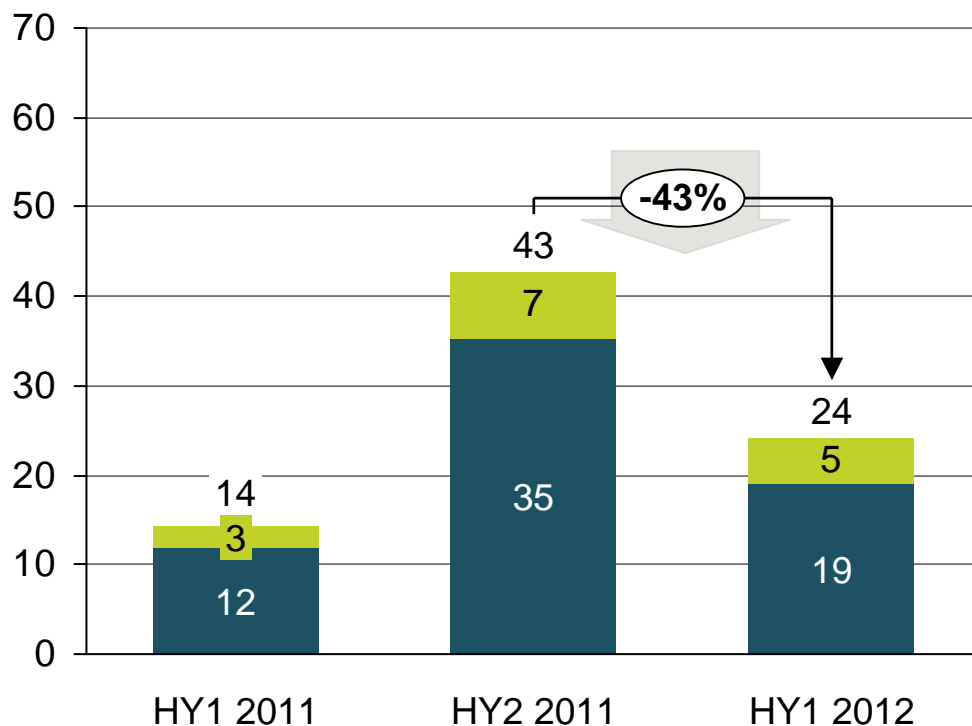
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# Capital expenditures

## Capital expenditures mainly driven by investment program

CHF million

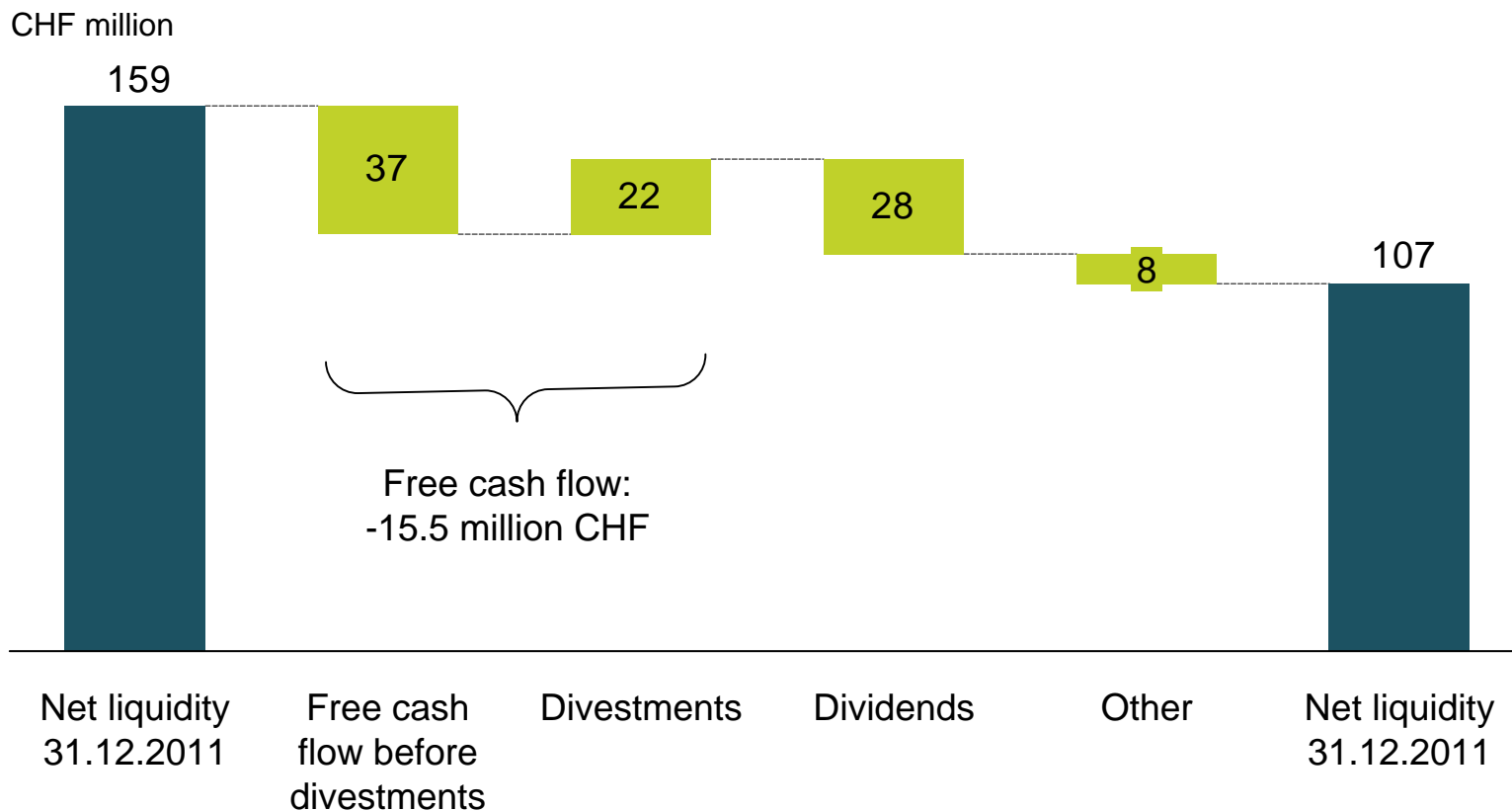


Premium Textile Components Spun Yarn Systems

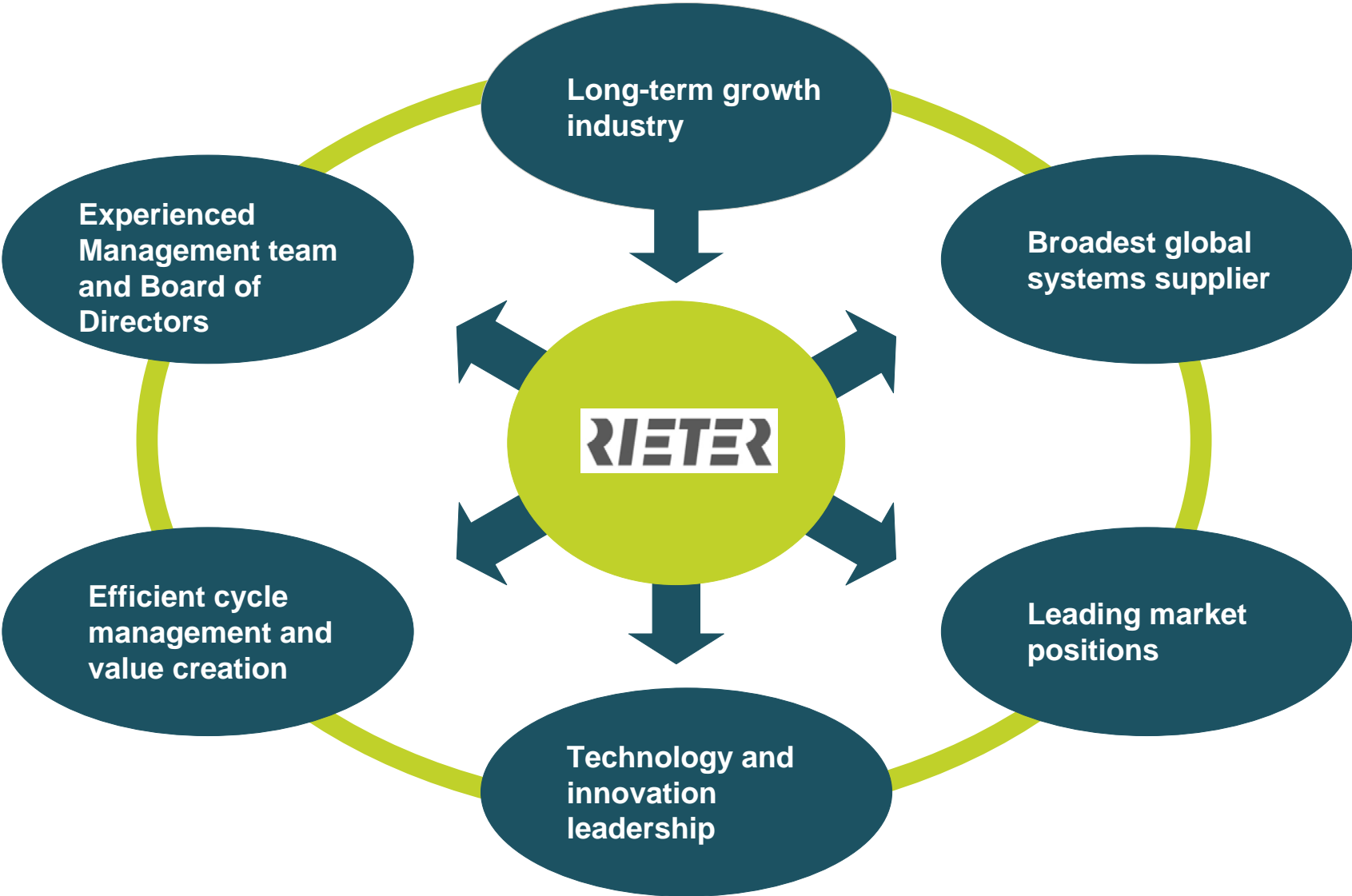
- Investment projects account for approximately 2/3 of total capital expenditures mainly into expansion China and India as well as into process improvements
- Maintenance capital expenditure at 2.0% of corporate output

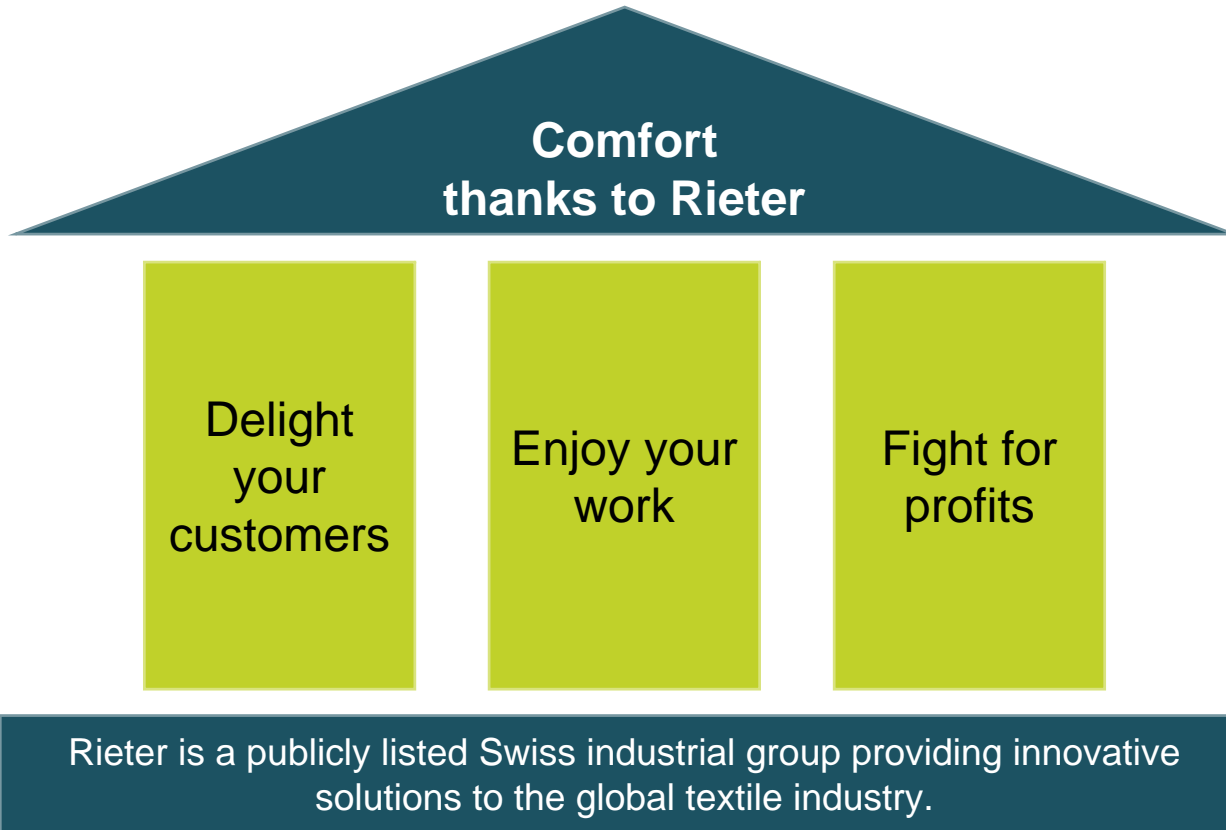
# Net liquidity

## Net liquidity impacted by free cash flow and dividends



# Key investment highlights of Rieter





# Disclaimer

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# Key Data per Share



|  |                   |            |            |
|--|-------------------|------------|------------|
| Rieter registered shares of 5 CHF nominal value<br>Bloomberg: RIEN; Reuters: RITZn | <b>30.06.2012</b> | 31.12.2011 | 30.06.2011 |
| Shares outstanding excl. own shares<br>(end of period)                             | <b>4'583'544</b>  | 4'629'335  | 4'629'445  |
| Average shares (of period)   | <b>4'616'917</b>  | 4'625'281  | 4'621'782  |
| Share price (end of period) CHF  | <b>140.50</b>     | 141.10     | 219.50     |
| Market capitalization<br>(end of period) million CHF                               | <b>644</b>        | 653        | 1'016      |