



Rieter Holding Investor presentation

2012 – Half-year results

1. Introduction and strategy of Rieter
2. Summary of first half year 2012
3. Financial results first half year 2012
4. Outlook

History of Rieter



1795 – 1925

Pioneer & diversification phase

Trading of cotton

Cotton spinning mill

Production of numerous goods in addition to spinning machinery:

- Turbines
- Streetcars

1925 – 1984

Rieter Machine Works Ltd. becomes a publicly listed company

Focus on spinning machinery

1984 – 2011

Dual strategy

Global company with activities in:

- Textile machinery
- Automotive supply

Quotation of Rieter Holding Ltd. on SIX Swiss Exchange

International expansion

Spin-off of division Automotive (Autoneum) May 13th 2011

Future

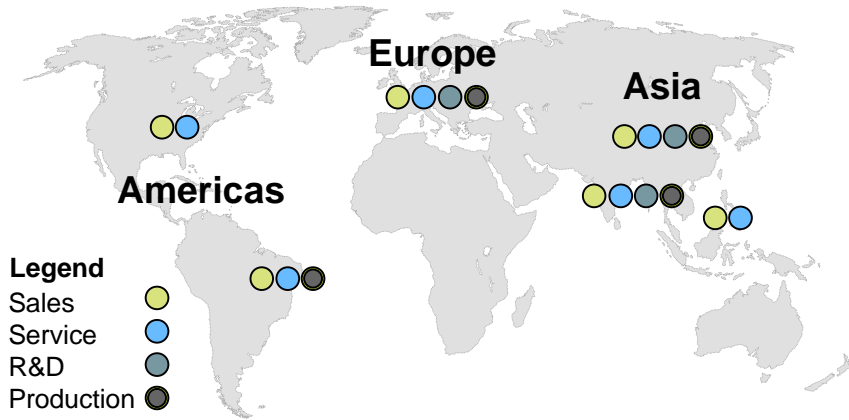
Focus on textile machinery and components:

A leading supplier of short-staple fiber machinery and components

Rieter – Broadest global systems supplier



Global supplier...



...of spinning machinery and components



Full-liner...

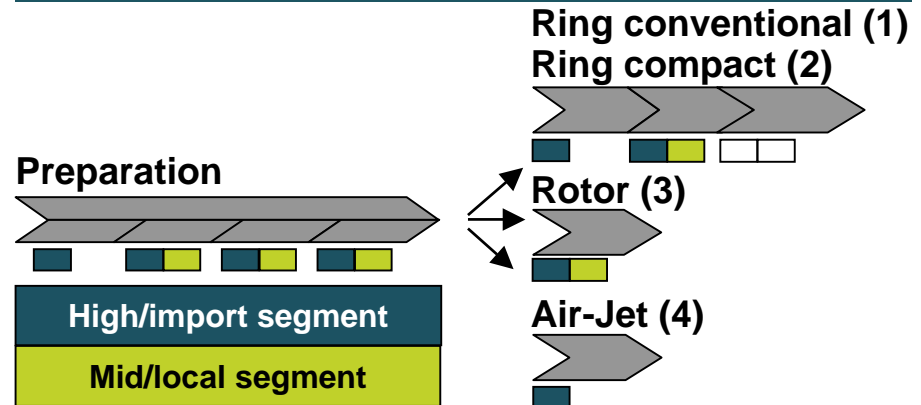
From raw material...



...to yarn



...covering preparation and all four spinning technologies



Business Group Spun Yarn Systems



Leading systems supplier in the spinning process



- **Customers / regions:** Spinning mills in Turkey, India, China, South East Asia, North and Latin America, Africa
- **Market size:** ~2'800 million CHF (2010)
- **Product offering:** Short staple spinning systems and machinery for natural and man-made fibers: Blowroom, Card, Drawframe, Comber, Flyer, Ring spin, Rotor spin, Compact spin, Airjet spin
- **Global sales and service presence** in all yarn producing countries through own sales force or agents with **production facilities** in Switzerland, Germany, Czech Republic, China and India
- **Main competitors:** OC Oerlikon, LMW, Jingwei, Trützschler, Murata
- **Growth drivers:** Population and GDP growth drives demand in fibers and yarn; Trend to increasing yarn quality, fineness and automation; Replacement of existing installed capacity

CHF million	2011	2010
Order Intake	775.0	1217.9
Sales	861.7	674.0
Corporate Output	866.3	669.4
EBIT	81.2	42.4

Business Group Premium Textile Components



Leading supplier of premium textile components



- **Customers / regions:** Spinning mills and OEMS (Rieter and third) in India, China, Turkey, Europe, South East Asia, North and Latin America, Africa
- **Market size:** ~1'100 million CHF (2010)
- **Product offering:** Durable and wear & tear components for short staple spinning machinery
- **Global sales and service presence** in all yarn and machinery producing countries mainly through agents with **production facilities** in Switzerland, EU, China, India
- **Main competitors:** Oerlikon OTC, Trützschler, Lakshmi and various small competitors
- **Growth drivers:** Population and GDP growth drives demand in fibers and yarn; Trend to increasing yarn quality and fineness and automation; Higher speeds

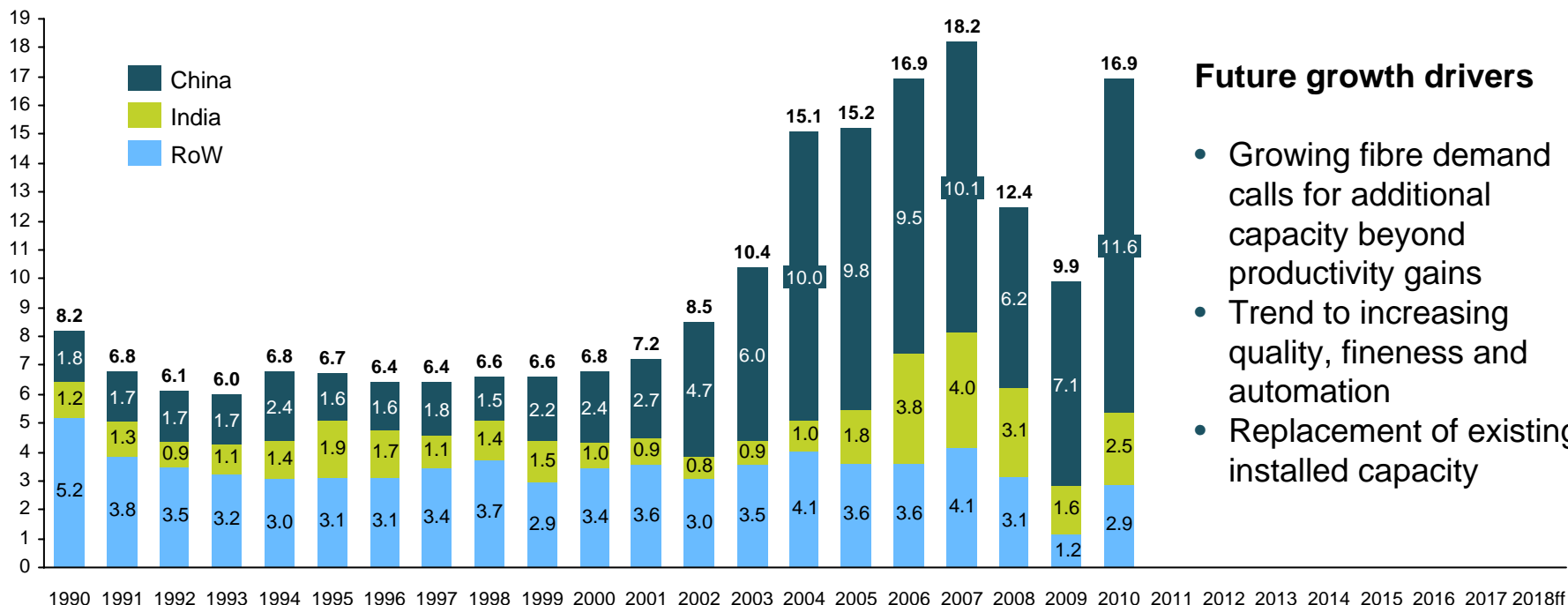
CHF million	2011	2010
Order Intake	183.3	235.2
Sales	199.1	190.6
Corporate Output	272.6	237.2
EBIT	35.1	29.6

Expansion in Asia: Markets by geography



Markets in India and China will continue to drive growth

Spindle equivalents (shipments) - in million



Future growth drivers

- Growing fibre demand calls for additional capacity beyond productivity gains
- Trend to increasing quality, fineness and automation
- Replacement of existing installed capacity

Comments:

- 1 Rotor = Equivalent of 6 Ring-spindles
- 1 Air-jet = Equivalent of 20 Ring-spindles

Source: ITMF, Rieter

Strategic intent

Organic growth / growth by acquisitions

- Stay No. 1 in the high segment, become at least No. 2 in the mid segment
- Strengthen position in China and India
- Close product gaps through innovation and external opportunities

Innovation

- Improve yarn quality
- Increase fiber yield / productivity
- Achieve cost and energy savings (for spinning mills)

Cycle management

- Maintain break-even focus
- Generate free cash flow throughout the cycle
- Keep key know-how

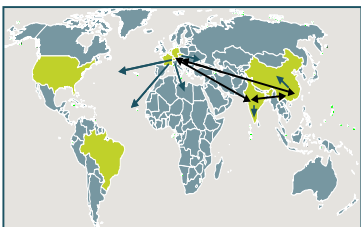
Continued intensity of strategy implementation in 2012 / 2013



- **Expansion in Asia:** Capacity expansion of production sites in Changzhou (China) and Pune (India)



- **Innovation:** Driving innovation, product pipeline and continuation of localization of product portfolio



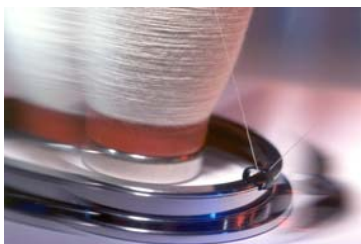
- **Process improvements:** Increased focus on operational excellence in all locations and process improvements in IT – supported global supply chain and administration

Additional Investments for 2012/2013: ~ 90 million CHF

Additional Investments for 2012/2013: ~ 50 million CHF

Financing for investments in 2012 / 2013 is in place

Clear criterias for target selection



- Selected acquisitions in the **components** business



- Closing product gaps in the **machinery** business

Criteria:

- Strong **brand** in the respective segment
- Improving **market access** or enhancing **product portfolio**
- Allowing **profitable** growth

AGM approved authorized capital to increase financial flexibility

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“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

Sales

- Order backlog above 515 million CHF, parts of it reaching already into 2013
- 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	HY1 2012	HY2 2011	HY1 2011	FY 2011
Order intake ⁽¹⁾	404.1	287.0	671.3	958.3
Sales	487.3	523.0	537.8	1060.8
Corporate output (CO)	441.4	490.6	551.9	1042.5
EBIT ⁽²⁾	32.0	42.0	70.6	112.6
EBIT margin (of CO)	7.2%	8.6%	12.8%	10.8%
Net profit ⁽³⁾	21.9	28.0	91.0	119.0
R&D expenditures	20.9	20.2	19.3	39.5
Capex	24.3	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

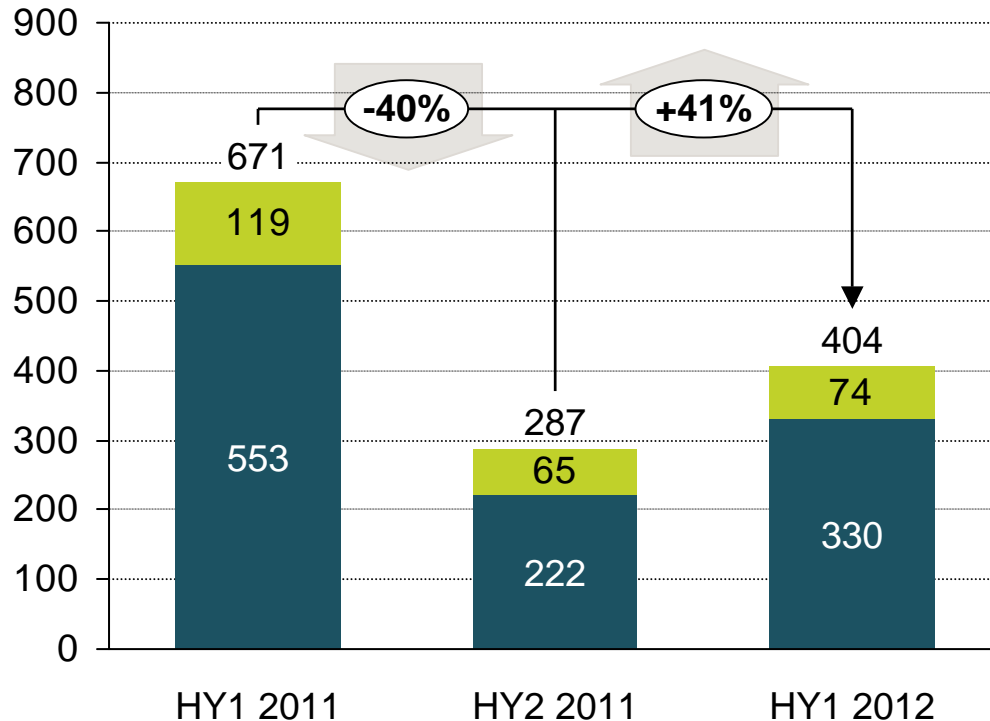
(2) Includes strategic project costs (HY1 2012: 12.5 million CHF, HY2 2011: 14.8 million CHF, HY1 2011: 7.1 million CHF); HY1 2012 includes disposal gain from Czech production facilities of 6.0 million CHF

(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



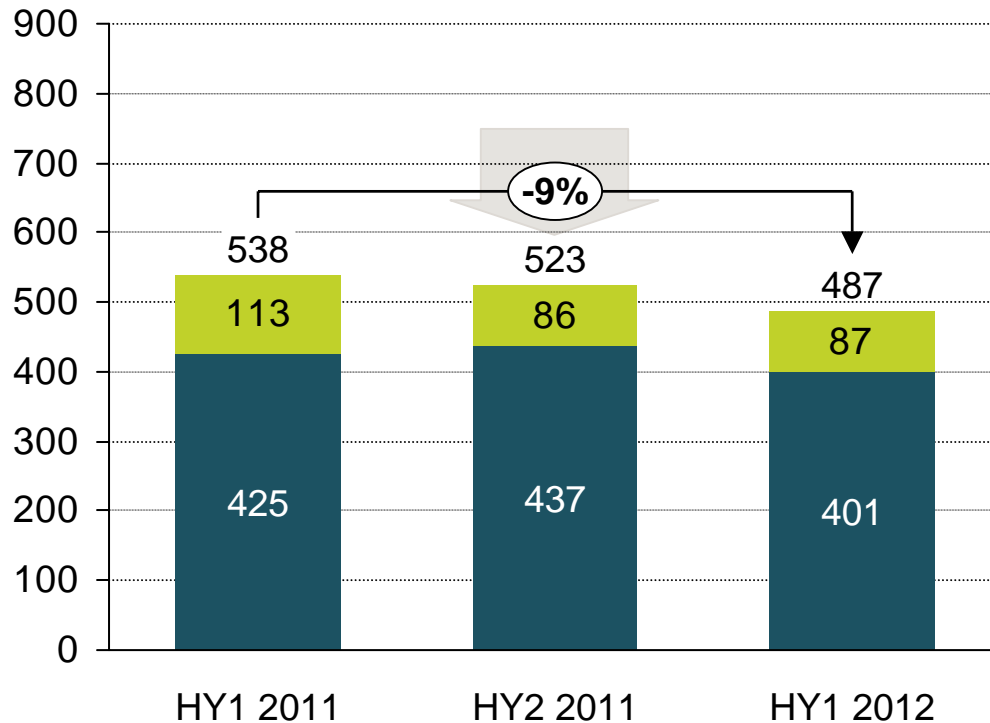
Premium Textile Components Spun Yarn Systems

- 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



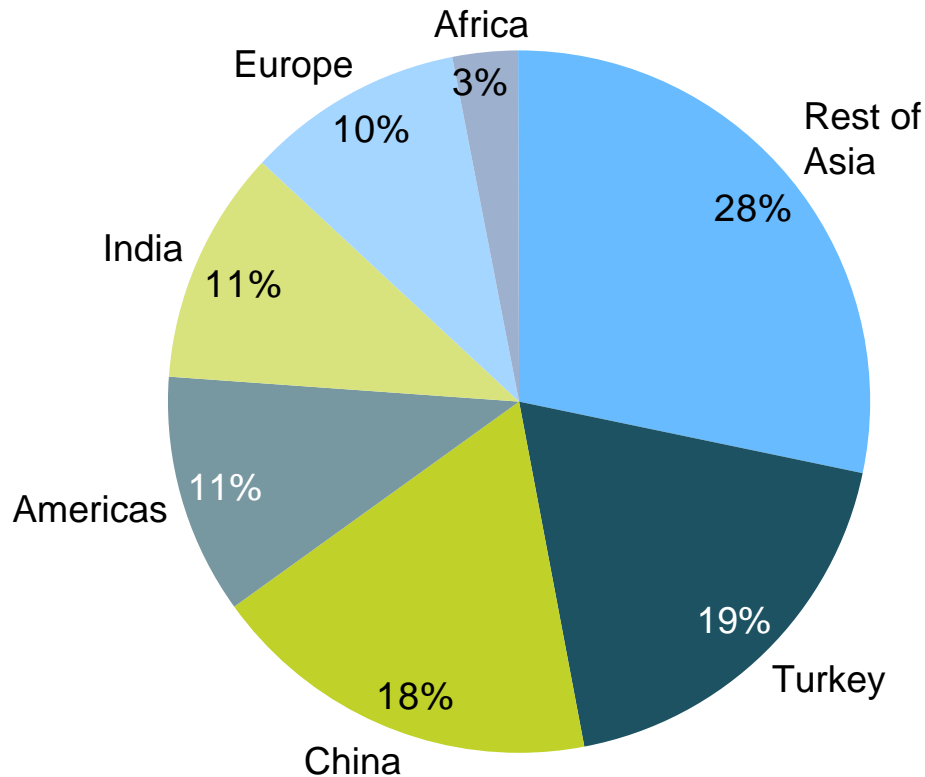
Premium Textile Components Spun Yarn Systems

- 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 %

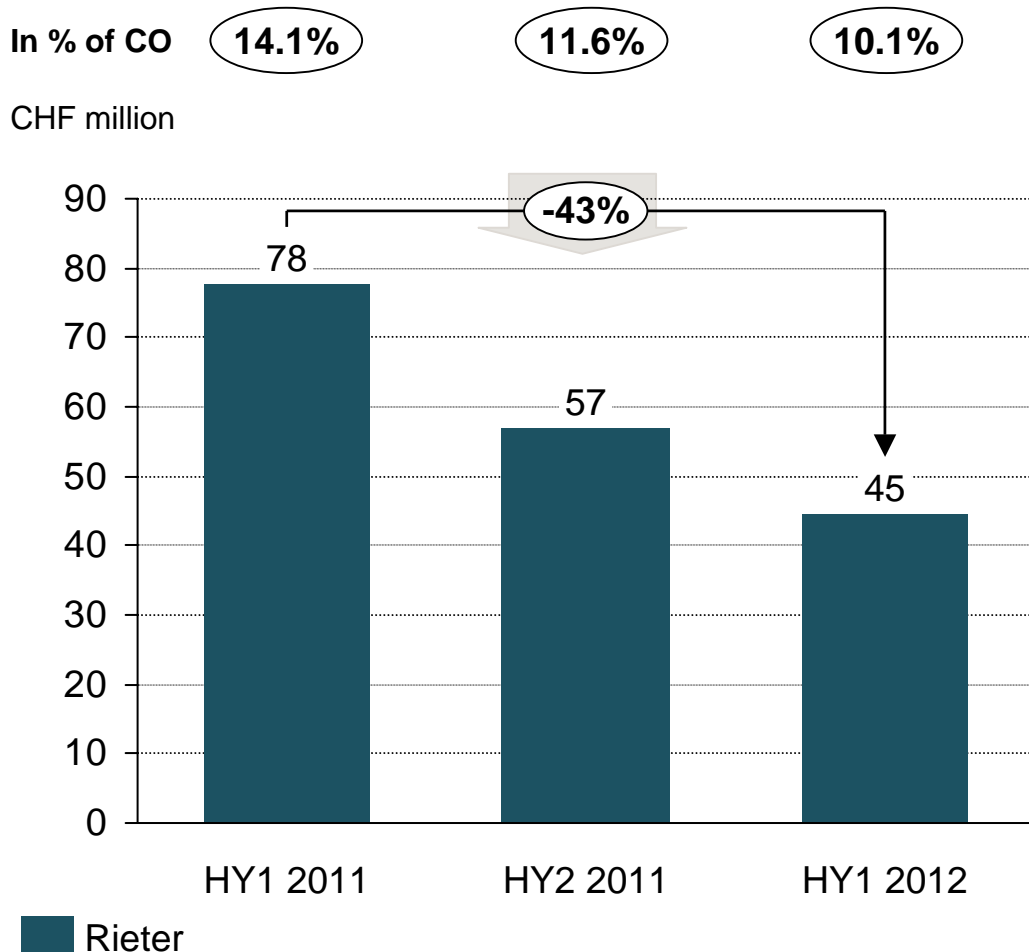


- Rest of Asia grew 13% mainly in South Korea, Bangladesh, Indonesia and Pakistan
- Sales in Turkey decreased by 6%
- Sales growth in China continued also in HY1 2012 with +17% against HY1 2011
- Sales in North and South America decreased by 8%
- Sales in India decreased substantially by 54%
- European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

Operating result (EBIT) before strategic projects



EBIT margin before strategic projects at 10.1% of corporate output

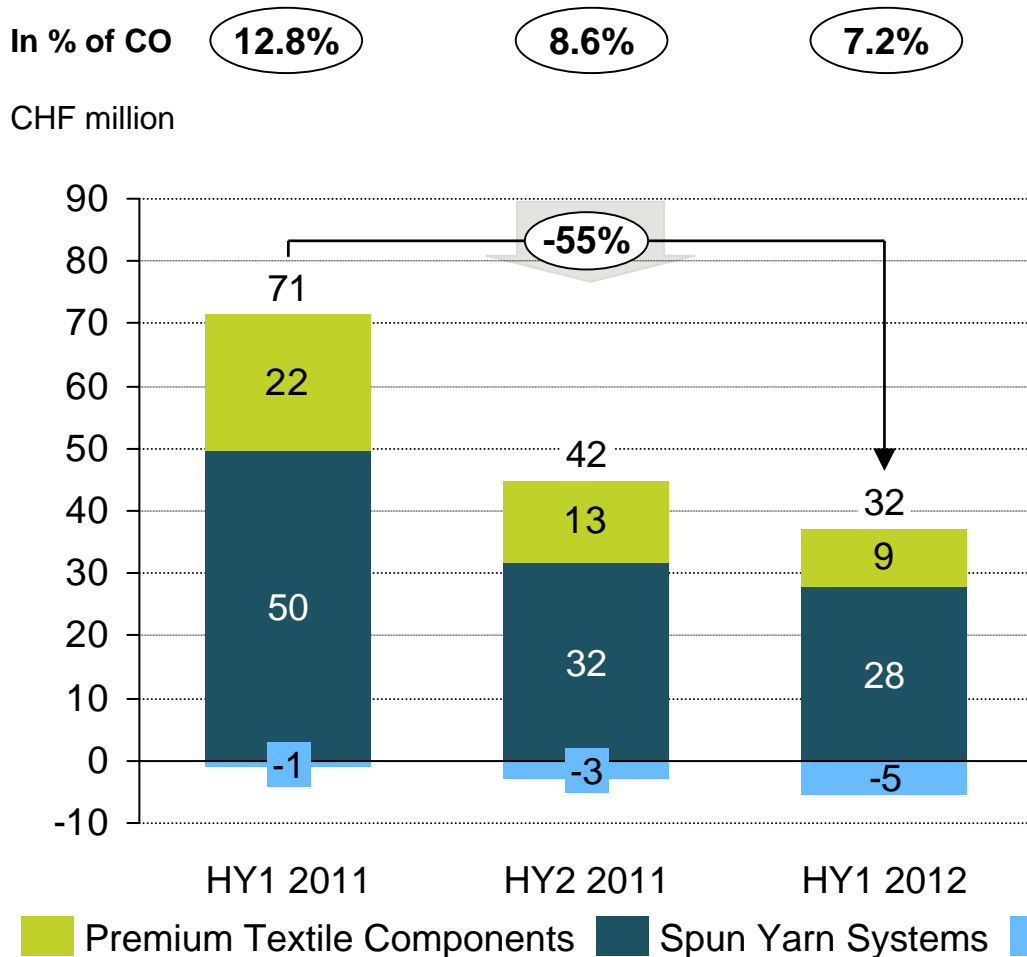


- Both Business Group's profitability decrease were impacted by
 - volume decrease,
 - significantly lower sales in India,
 - Increased pricing pressure on Swiss Franc denominated sales
- Disposal gain of 6.0 million CHF from sale of Czech production facilities in HY1 2012
- R&D expenses held at 20.9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

Operating result (EBIT) by Business Group



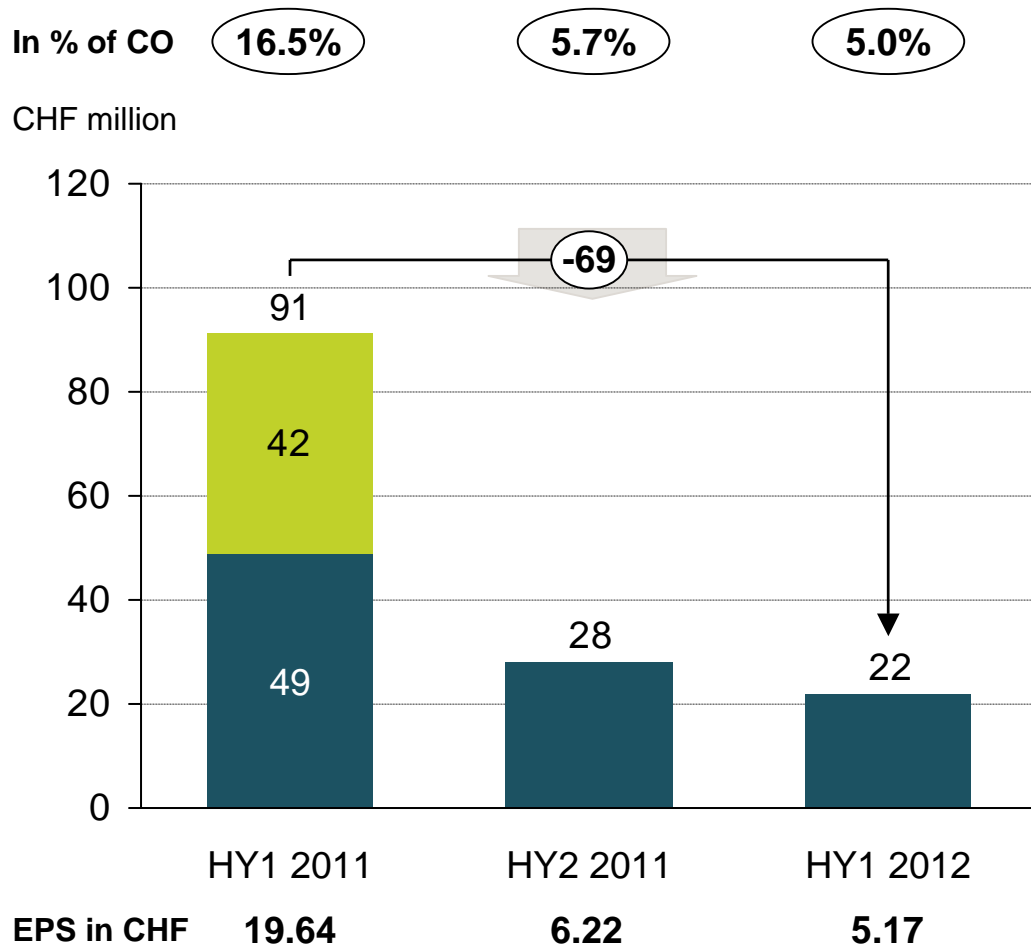
Volume decrease and investment program costs lead to lower EBIT margin



- 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

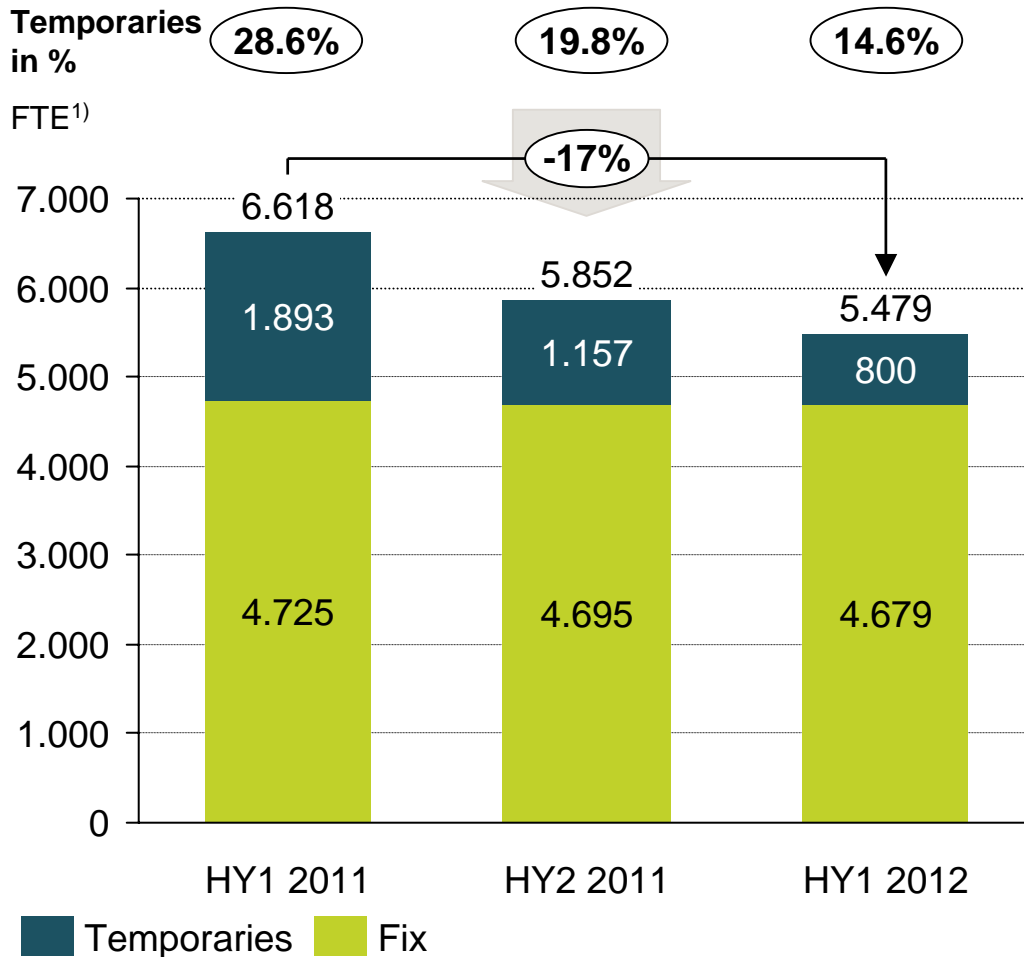
Net profit margin at 5.0% of corporate output



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

Free cash flow



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

CHF million	HY1 2012	HY1 2011
Net profit	21.9	91.0
Interest and tax expense (net)	13.2	24.3
Depreciation and amortization	16.1	17.2
Reversal of disposal gains	-13.3	-44.1
+/- Change in net working capital	-34.3	-30.6
+/- Interest paid / received (net)	-10.1	-8.2
+/- Taxes paid	-10.4	-16.2
+/- Capital expenditure, net	-20.3	-12.2
+/- Change in other financial assets	-0.1	-0.2
+/- Divestments	21.8	42.3
Free cash flow	-15.5	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, peak years > 12%
Net result	> 6 % over the cycle, peak years > 8%
RONA	peak years > 14%
Capex	4 – 5 % of corporate output
Dividend policy	Target pay-out ratio of approx. 30% of net result

Agenda 2012



HY1 2012 results publication / conference call:

July 25, 2012

Analyst briefing:

October 31, 2012

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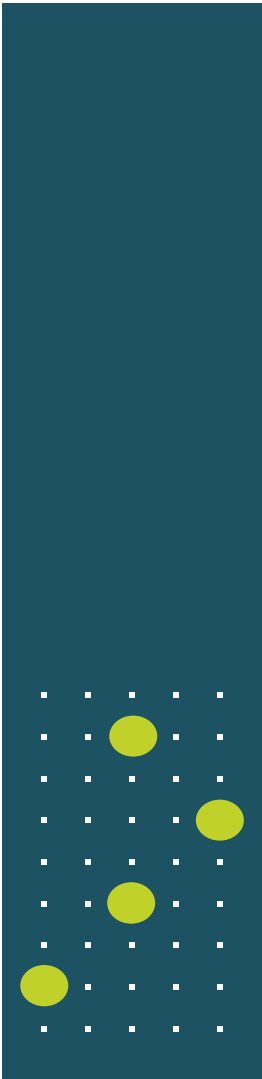
Joris Gröflin

Chief Financial Officer

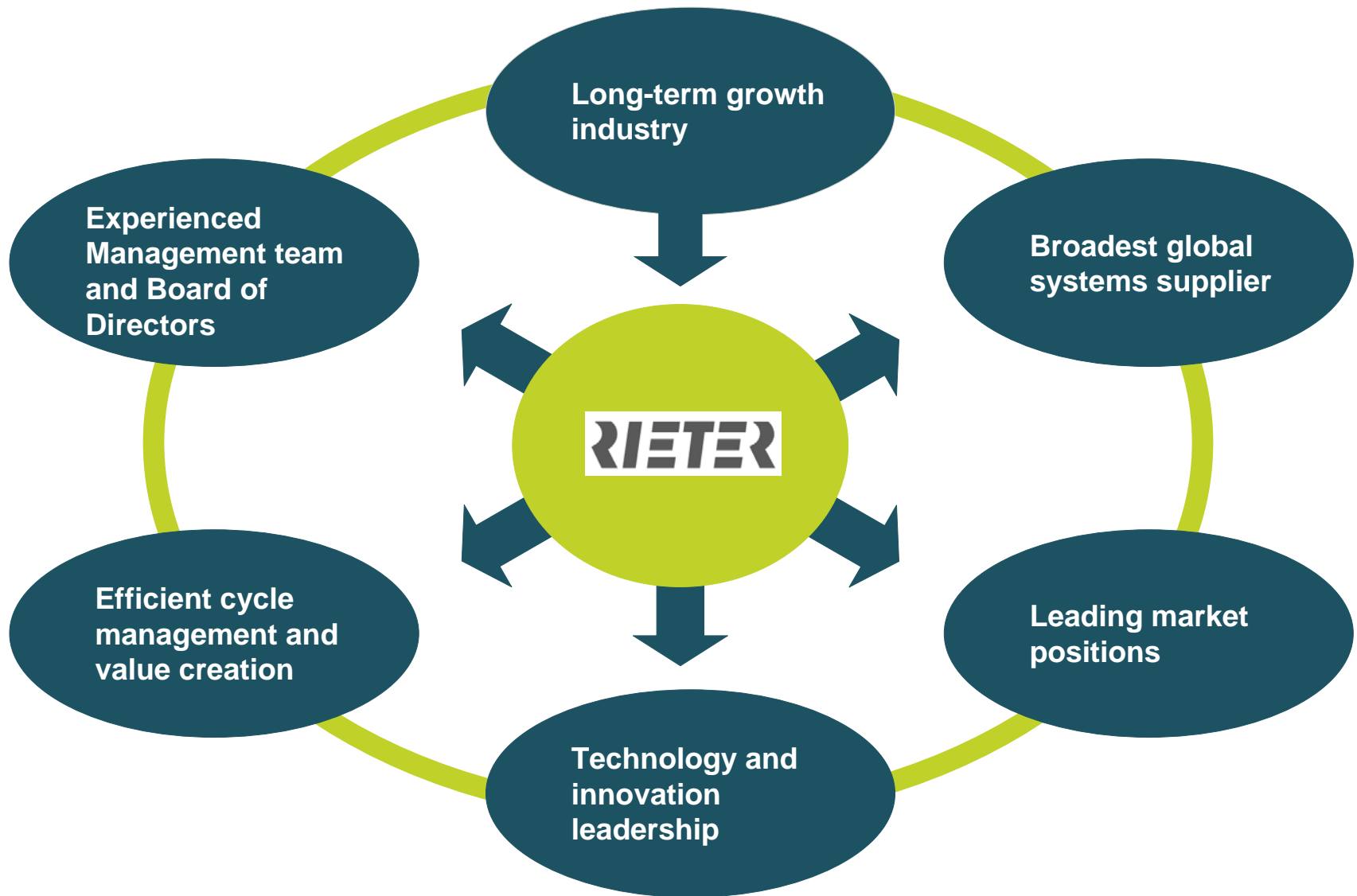
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Appendix



Key investment highlights of Rieter



Rieter today – At a glance



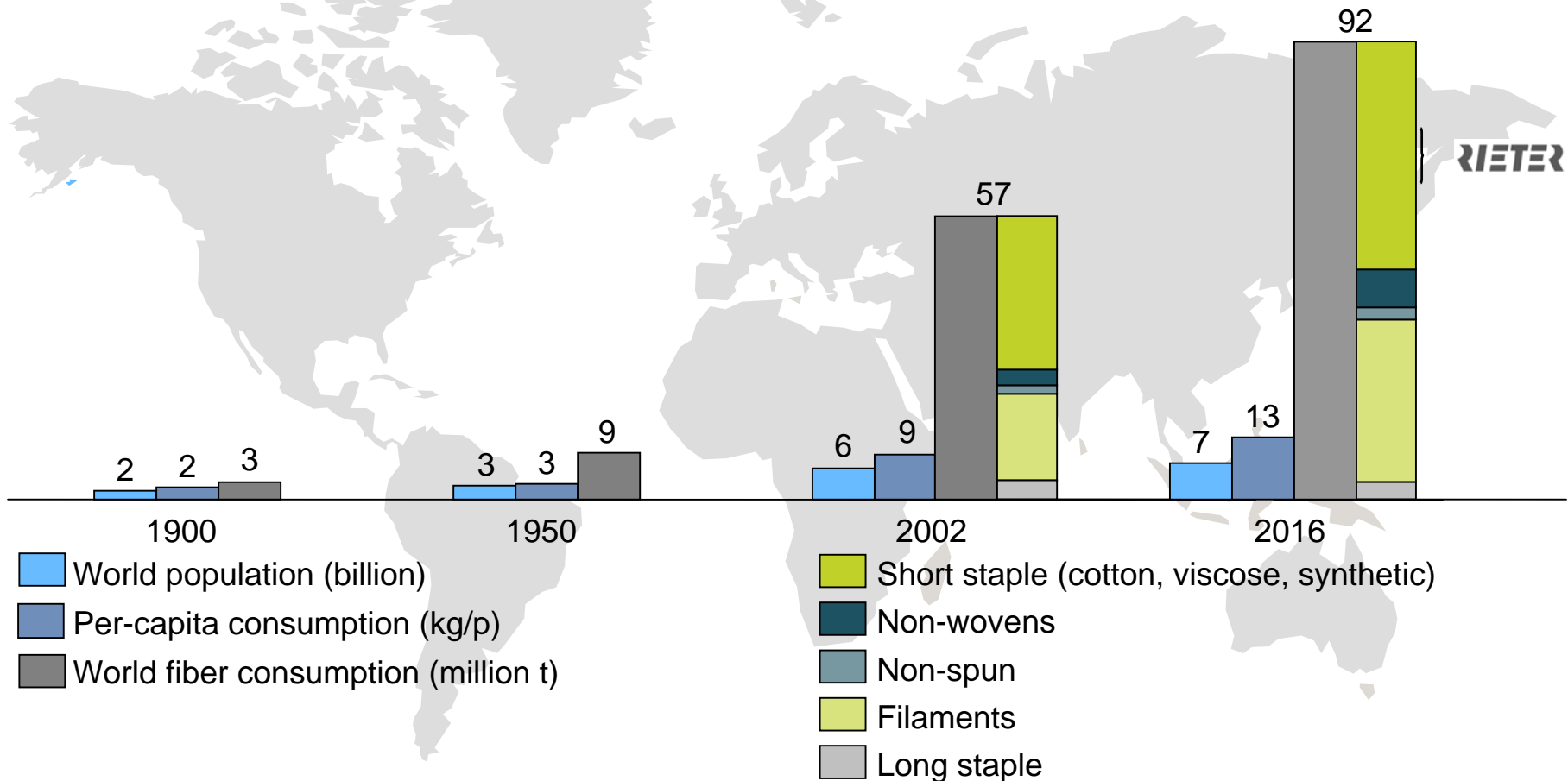
Rieter is a leading supplier of short staple textile machinery and components

- **Rieter – an industrial group based in Winterthur, CH, operating on a global scale**
 - Formed in 1795, and a leading supplier of short-staple spinning machinery and technology components
 - Widest product range in this industrial sector worldwide
 - Global presence in 9 countries with 18 manufacturing facilities and a workforce of about 4 700 employees worldwide (28% of workforce is based in Switzerland)
- **Rieter – a strong brand with a long tradition**
 - Rieter's innovative momentum has been a powerful driving force for industrial progress.
 - Products and solutions are ideally tailored to its customers' needs and are increasingly also produced in customers' markets.
- **Rieter aspires to achieve sustained growth in enterprise value for the benefit of shareholders, customers and employees**
 - Seeking to maintain continuous growth in sales and profitability
 - Primarily by organic growth, but also through strategic alliances and acquisitions
- **The company comprises two Business Groups:**
 - Spun Yarn Systems (SYS) develops and manufactures machinery and systems for processing natural and man-made fibers and their blends into yarns
 - Premium Textile Components (PTC) supplies technology components and service offerings to spinning mills and also to machinery manufacturers

Long-term growth industry

Textile Business will keep on growing – short staple as largest segment

World population and fiber consumption growth

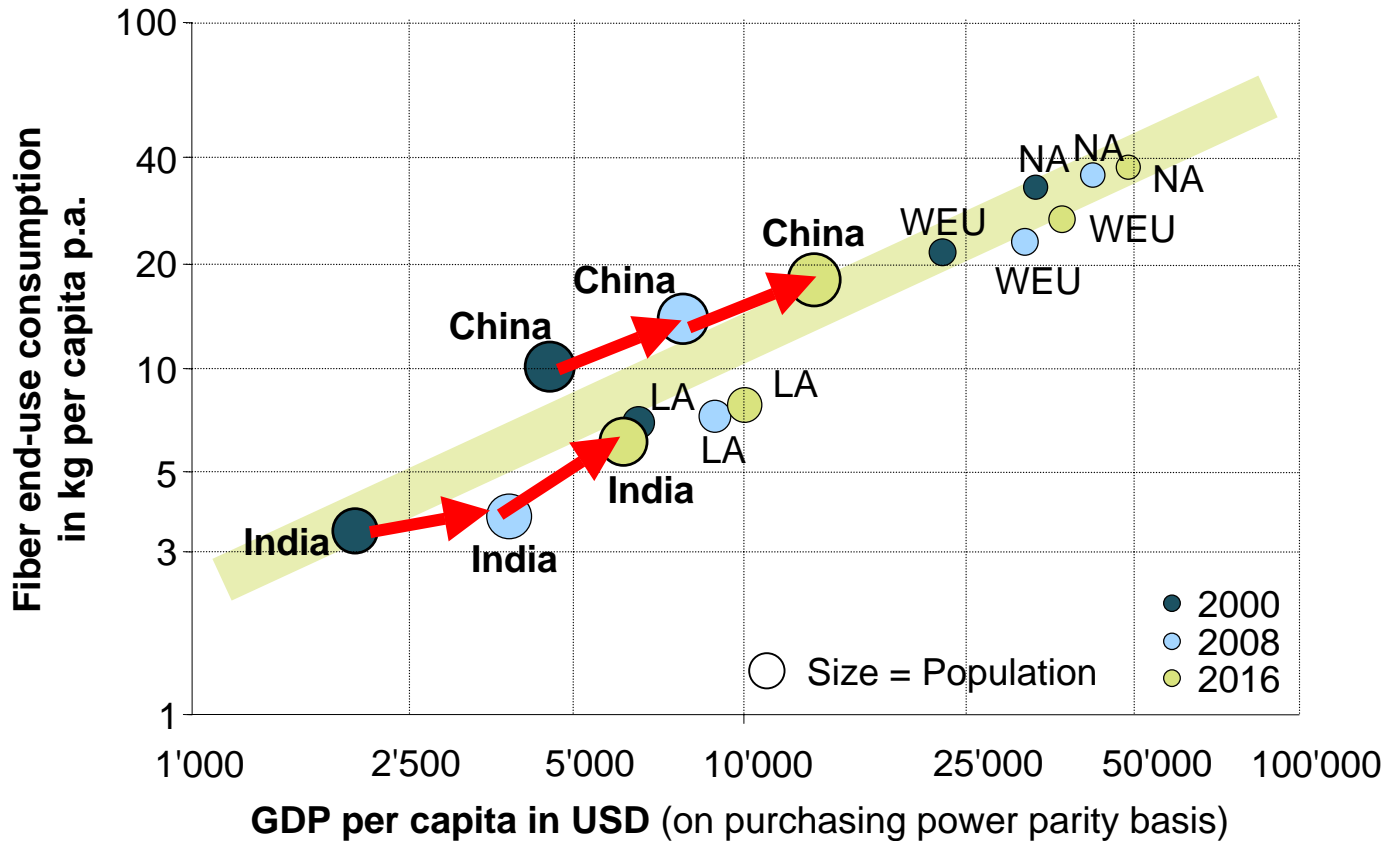


Source: PCI

Textile sector growth

Growth in GDP per capita – especially in China and India – is driving demand

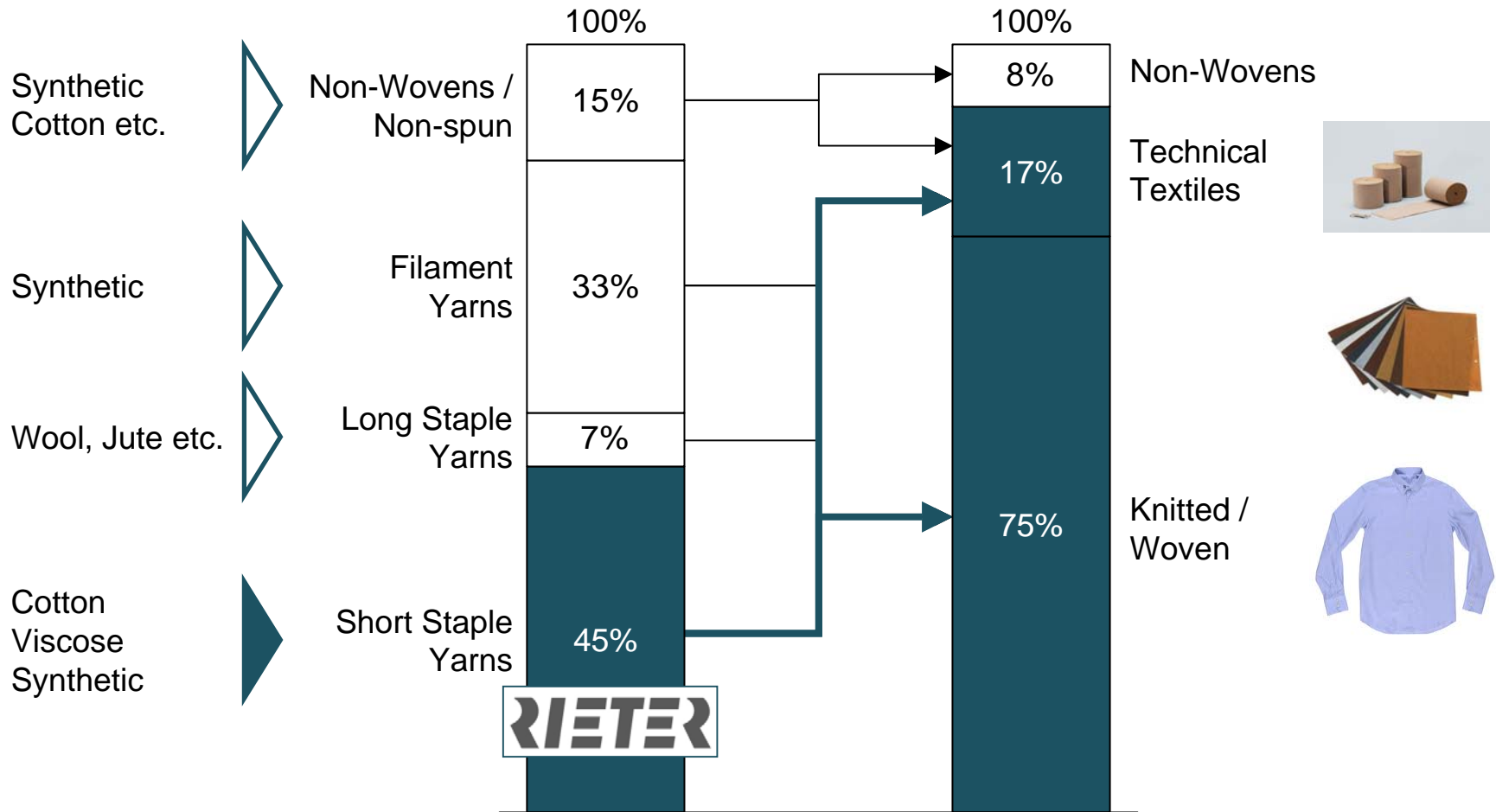
GDP and fiber consumption growth



Legend: NA = North America, LA = Latin America, WEU = Western Europe, China includes Hong Kong

Fibre consumption by type

Rieter covers both man-made and natural fibers in short staple segment



Note: Estimates based on 2008 volumes

Fibre processes in short-staple spinning

Fibre (-mix) used in short staple spinning depends on final application

Cotton
(65-75%)



Viscose fibers
(5-10%)



Synthetic fibers
(25-30%)



Spinning

- Preparation
- Ring
- Compact
- Rotor
- Airjet
- Weaving / Knitting
- Finishing
- Ready-made clothing



Innovation: Focus examples SYS

Spinning preparation: keep quality at higher productivity

Example: Card



Example: Comber

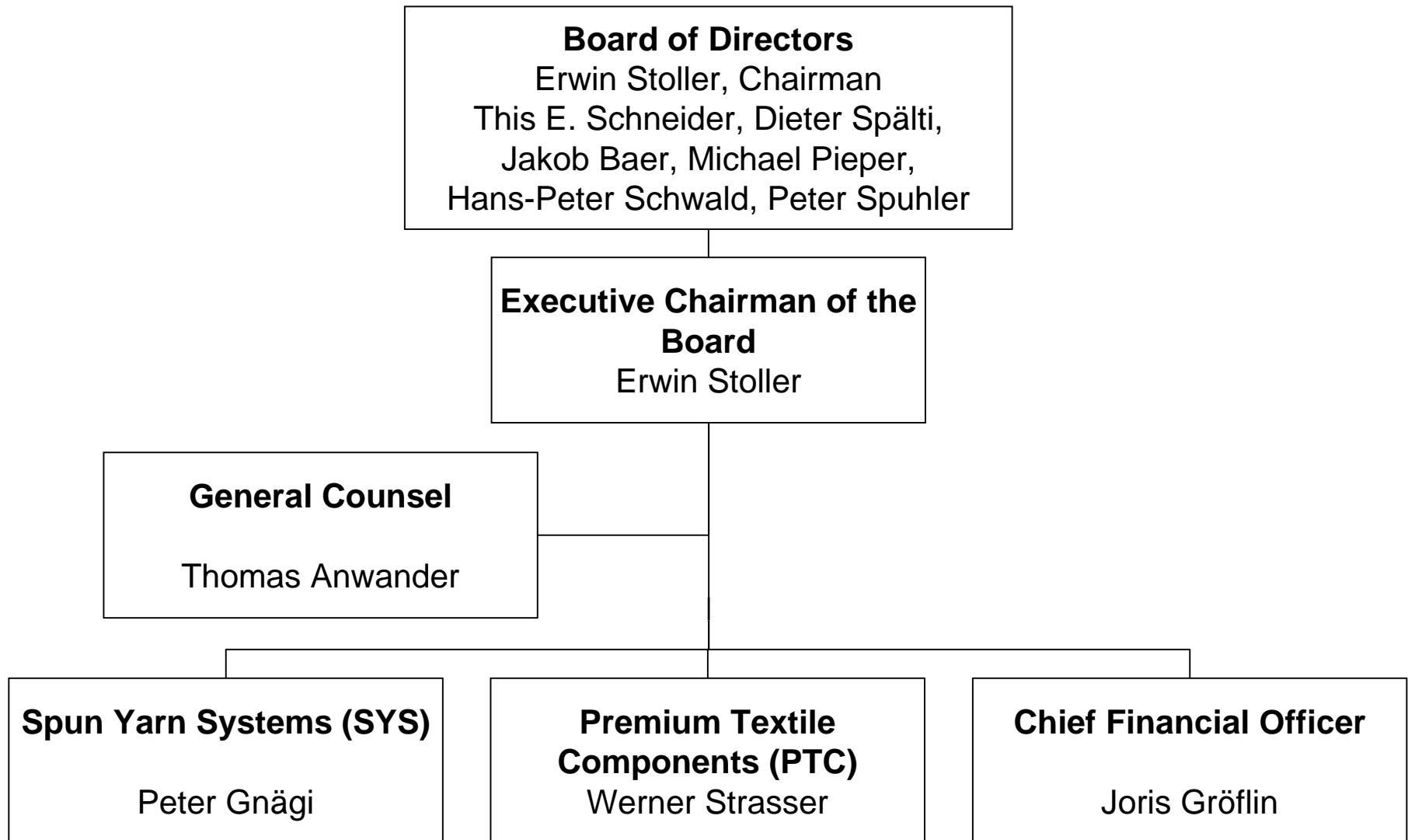


	C 70	C 60	%
Introduction	2011	2008	
Technical solution	Largest active carding area	1.5m technology	
Max. Productivity	280 kg/h sliver	240 kg/h sliver	+17
Energy	0.047* kW / kg	0.055 kW / kg	-15

	E 80	E 76	%
	2012	2007	
	Largest active combing area + 45%	500 nips/min	
	84 kg/h sliver	74 kg/h sliver	+14
	3.8 KW / kg	4.2 KW / kg	-10

*at 225 kg

Management team and Board of Directors

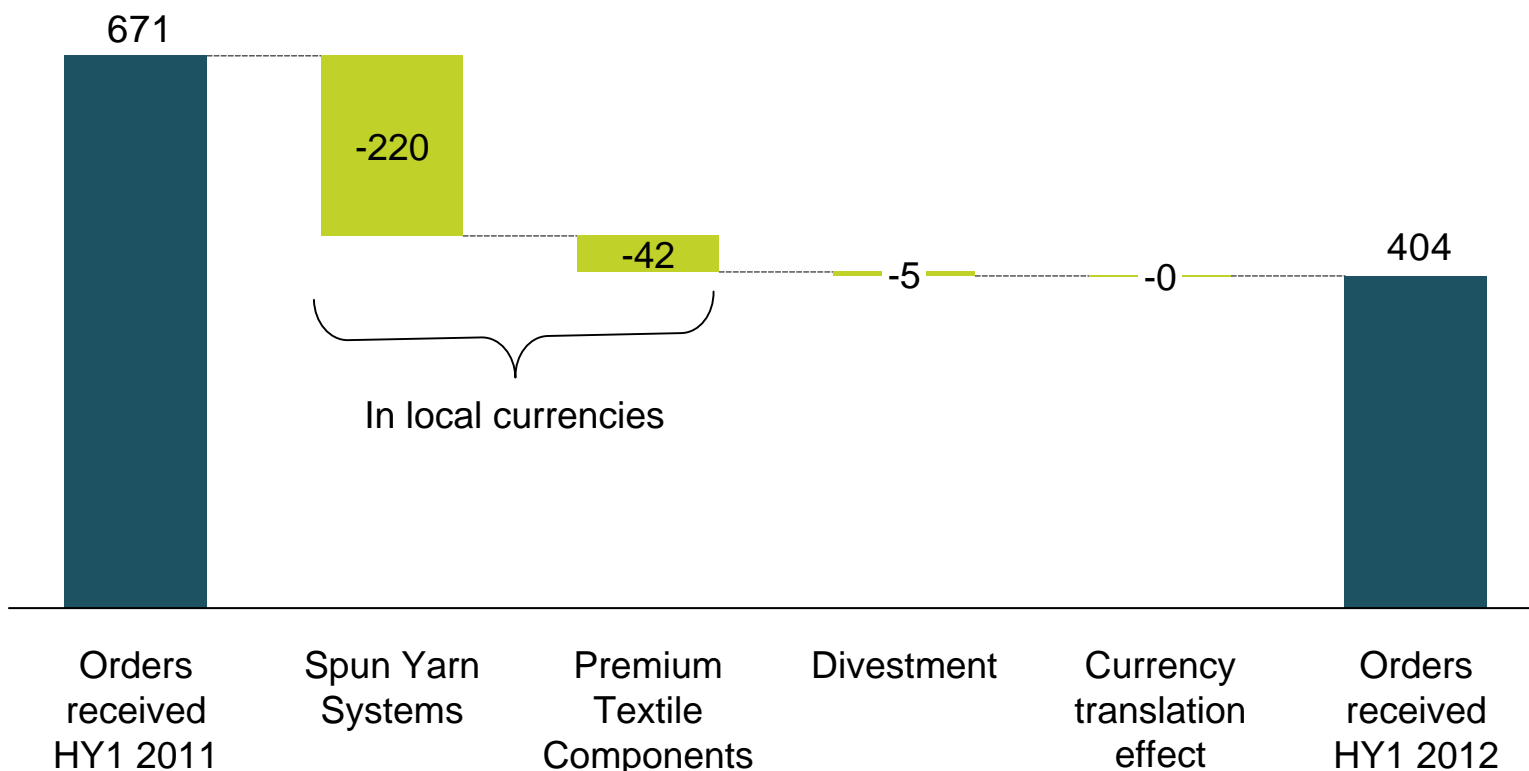


Order intake development



Order intake decline in both Business Groups

CHF million

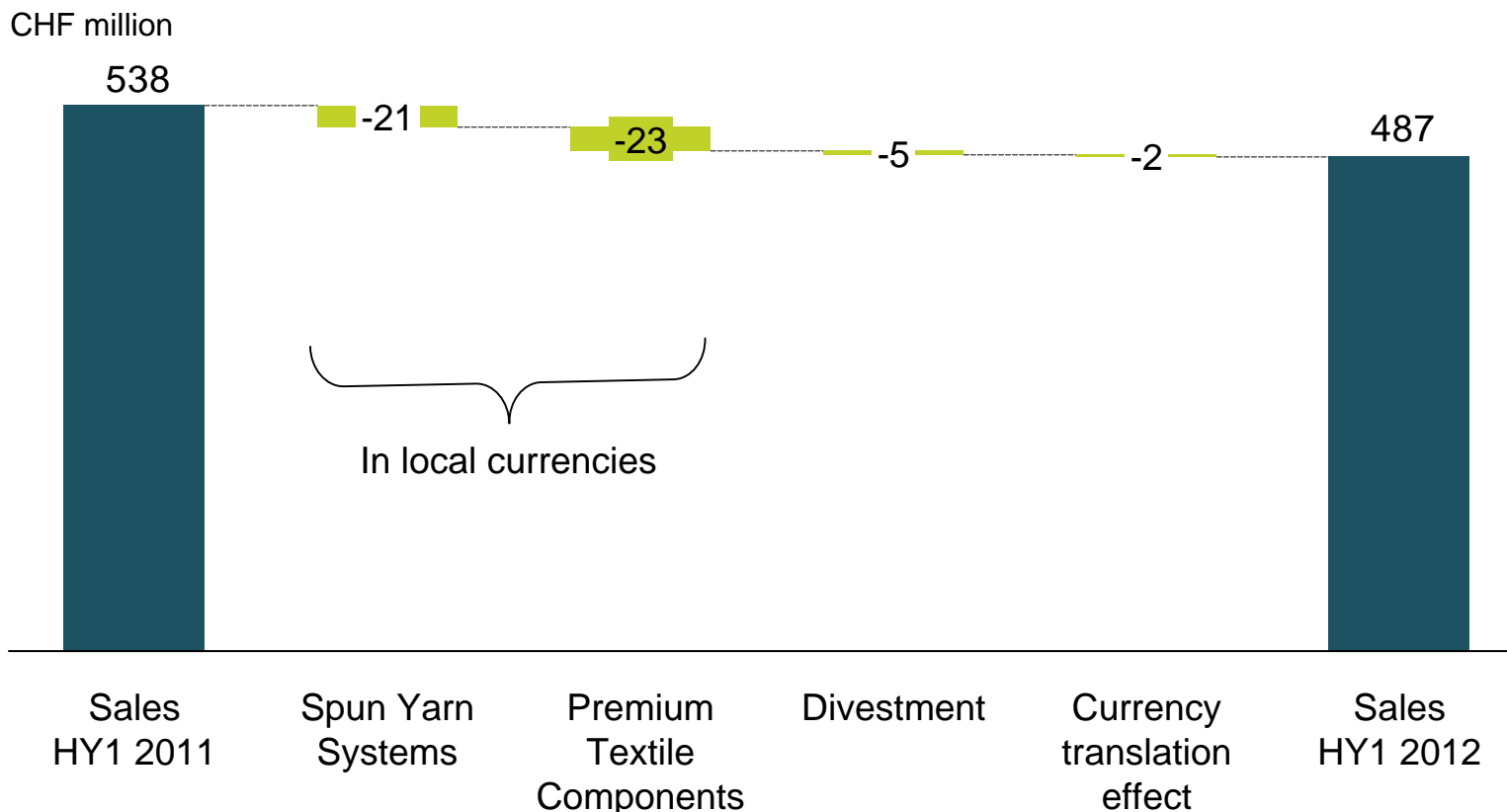


Main exchange rates in CHF:

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



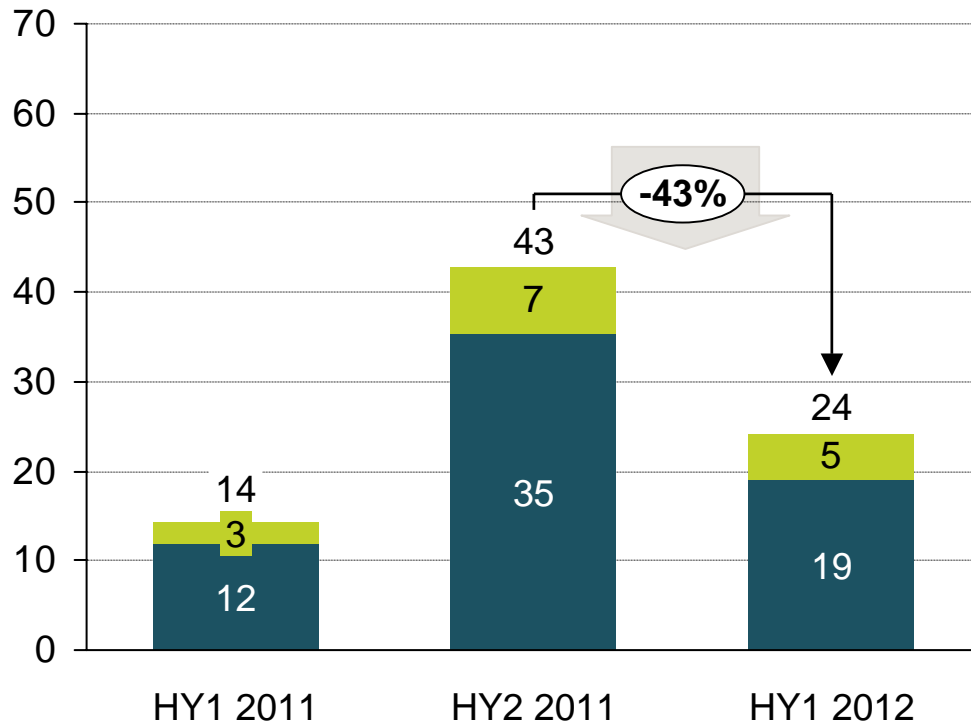
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Capital expenditures

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 working capital



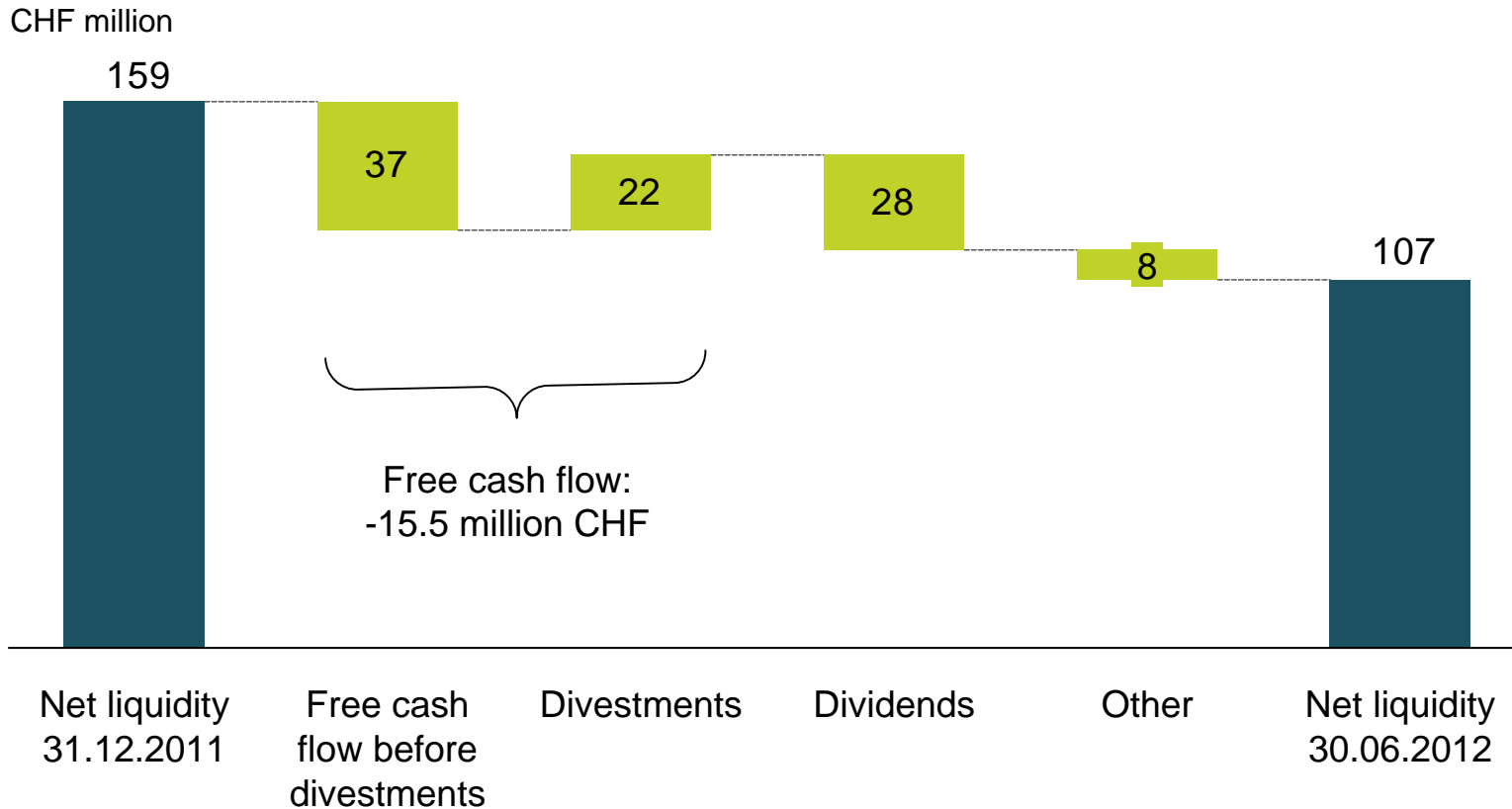
Net working capital increases in HY1 2012 to 85.2 million CHF

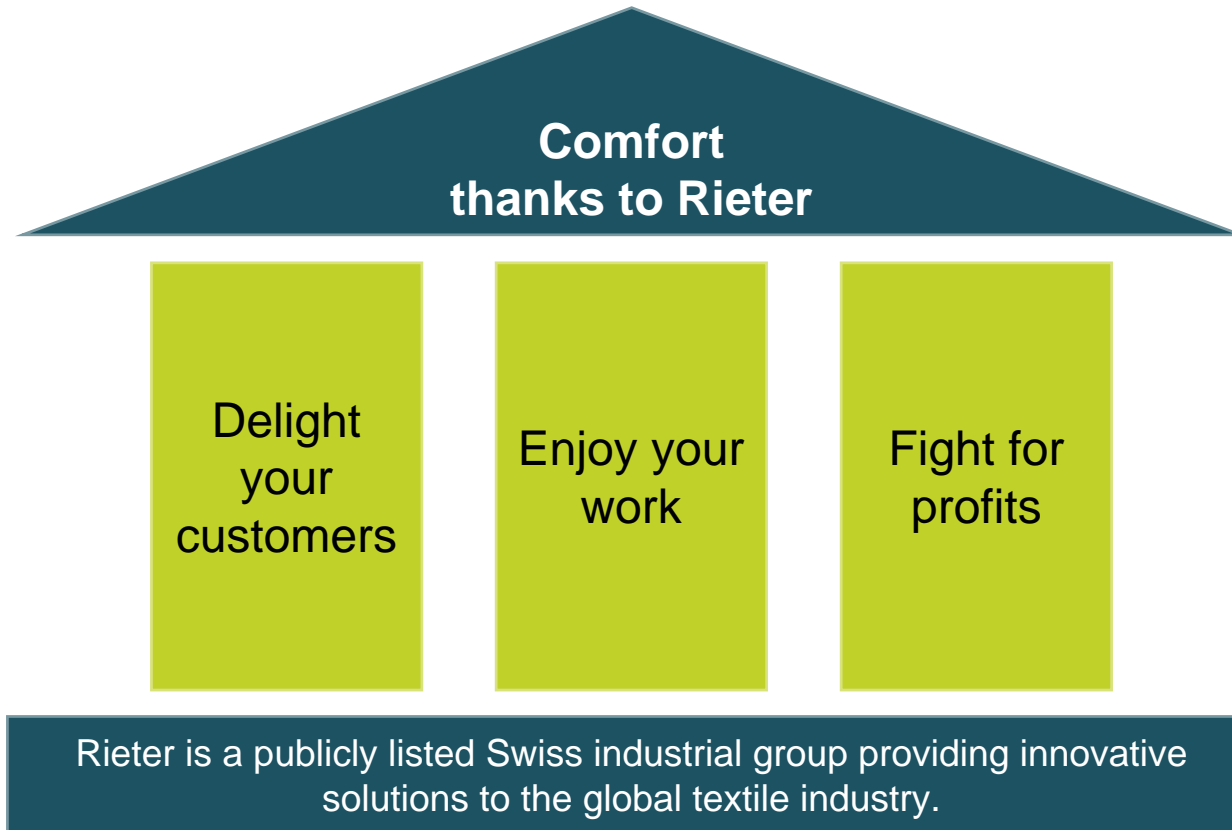
CHF million	30.06. 2012	31.12. 2011	30.06. 2011
Inventories	208.7	234.8	251.0
Trade receivables	121.9	84.1	90.4
Other receivables	43.3	54.9	64.4
Trade payables	-72.4	-86.4	-74.2
Advance payments	-74.8	-89.8	-83.7
Other current liabilities	-141.5	-144.3	-182.3
Net working capital	85.2	53.3	65.6

- 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

Net liquidity

Net liquidity impacted by free cash flow and dividends





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Key Data per Share



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