



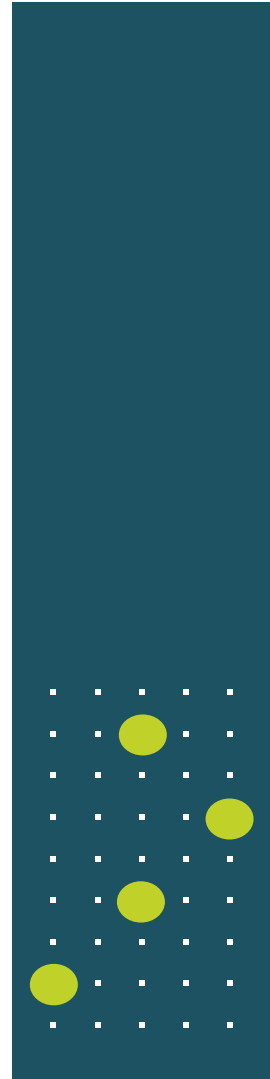
Rieter Holding Analyst Briefing 2012

October 31, 2012

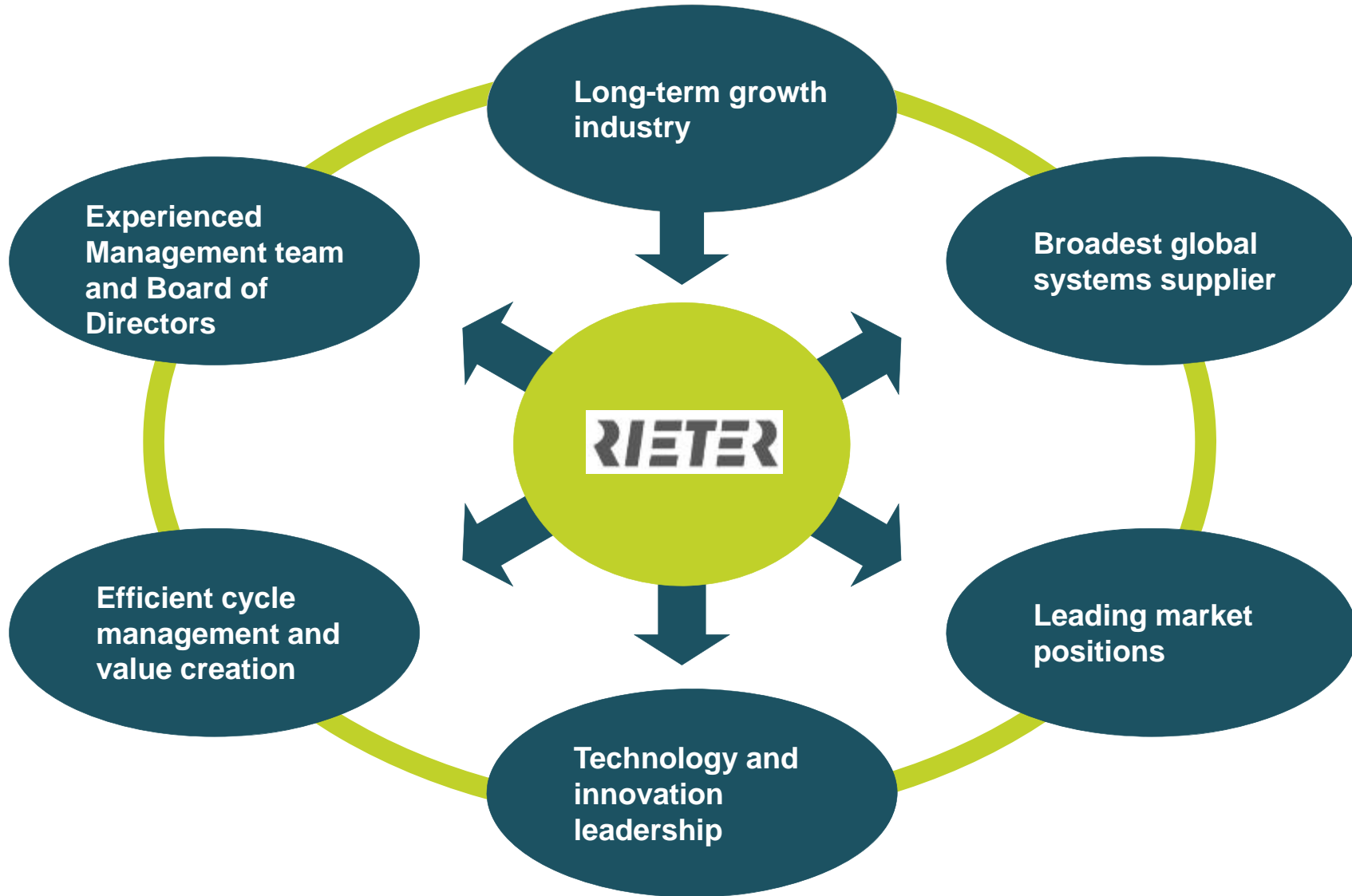
Agenda



1. Introduction
2. Markets & positioning
3. Technology leadership and yarn know-how
4. Investment program 2012/2013
5. Cycle & value management
6. Current market development & Outlook
7. Summary



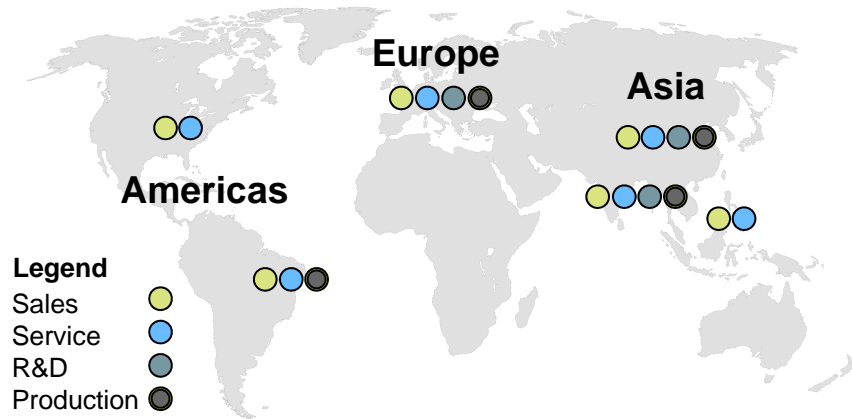
Key investment highlights of Rieter



Rieter – Broadest global systems supplier



Global supplier...



...of spinning machinery and components



Full-liner...

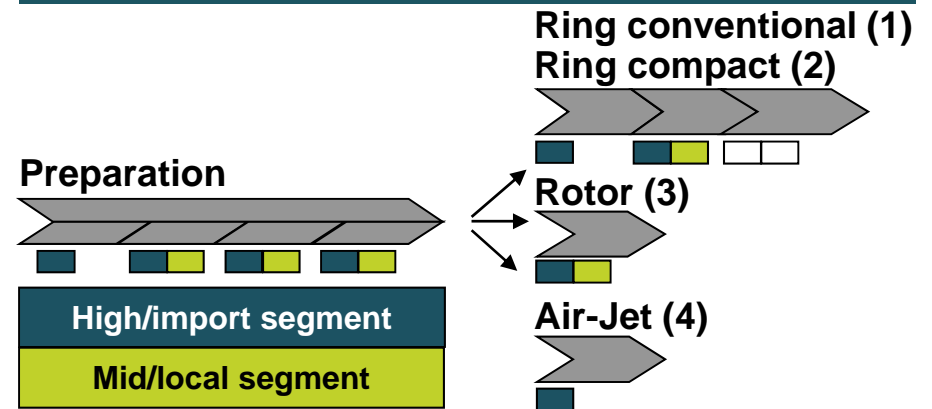
From raw material...



...to yarn



...covering preparation and all four spinning technologies



Leading market positions



Spun Yarn Systems (SYS)

- Leading position in high segment for all fields of activity
- Recognised as an innovation leader with superior products

Preparation 1/3

Ring 1/4	Compact 1/3	Rotor 2/2	Air-Jet 2/-
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Transport Automation **Monitoring**

Premium Textile Components (PTC)

- Supply to 3rd party OEMs underlines position in textile components
- By far largest supplier of textile components for spinning machines

Preparation 1/3

Ring 1/3	Compact 1/1	Rotor 2/2	Air-Jet 2/-
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import/local

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)

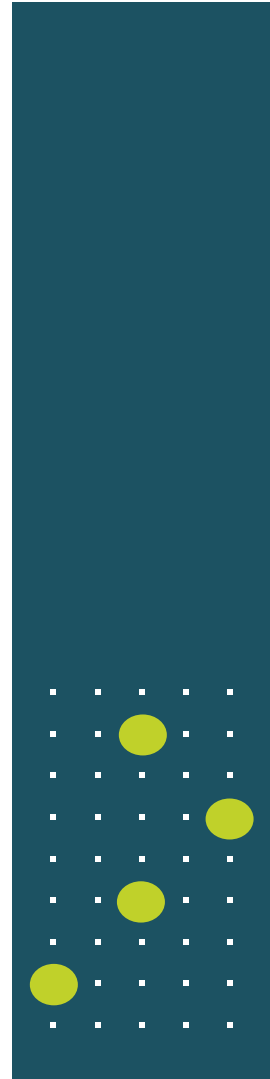
Cycle management

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

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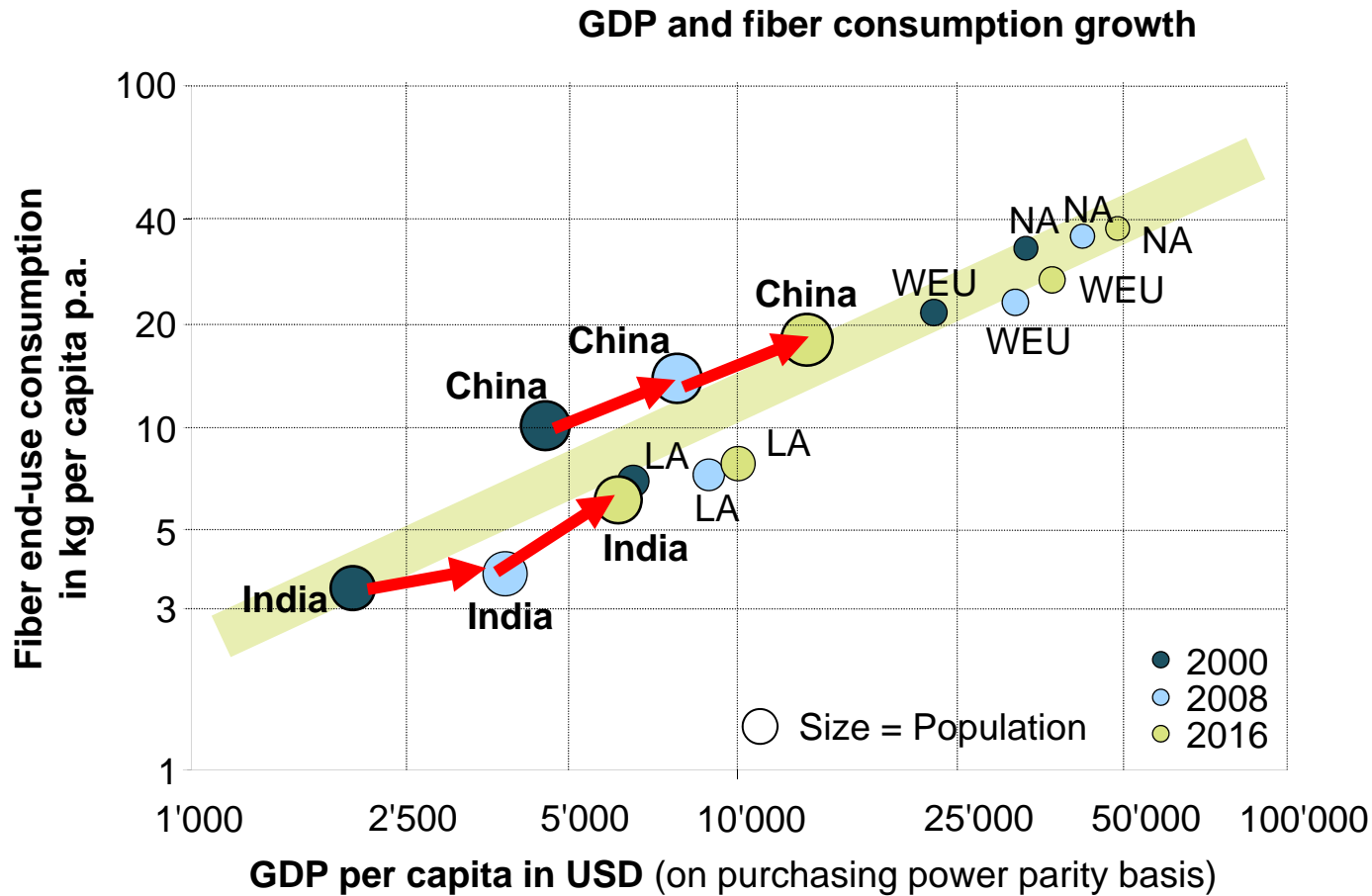
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Textile sector growth



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

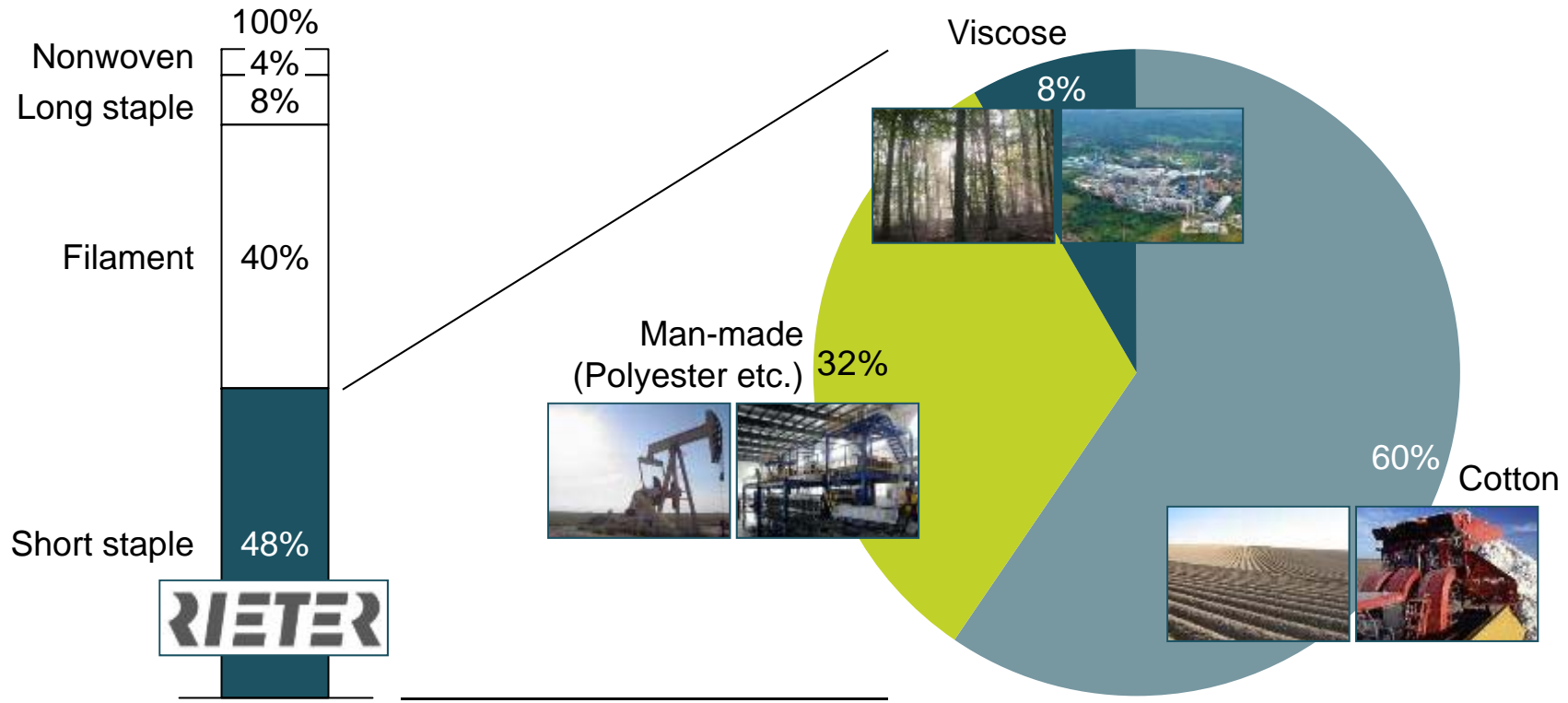


Legend: NA = North America, LA = Latin America, WEU = Western Europe, China includes Hong Kong

Fibre consumption by type



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



2010

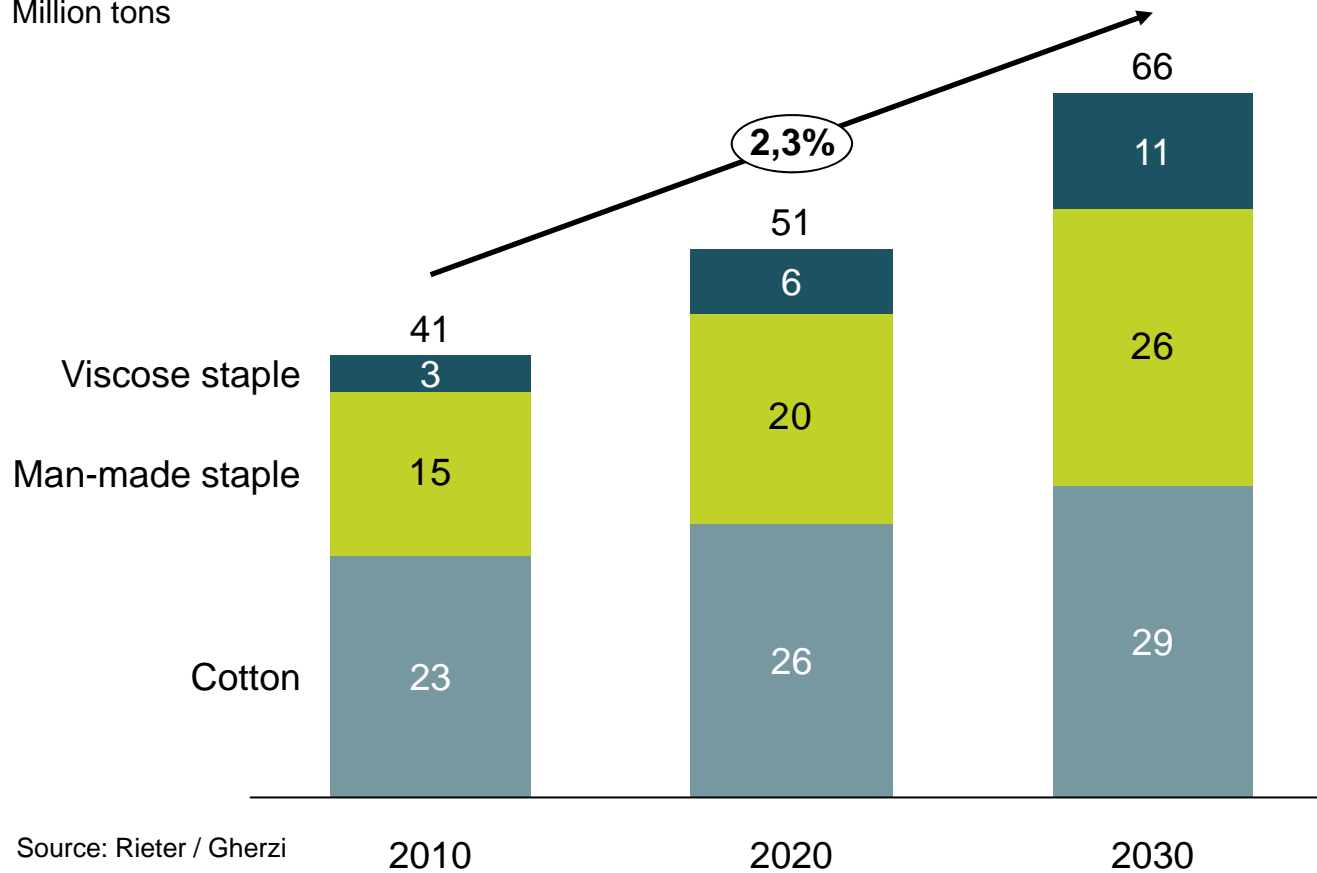
Note: Estimates based on 2010 volumes

Projected growth of short-staple fiber demand



Demand for short-staple fibers will significantly increase till 2030

Million tons

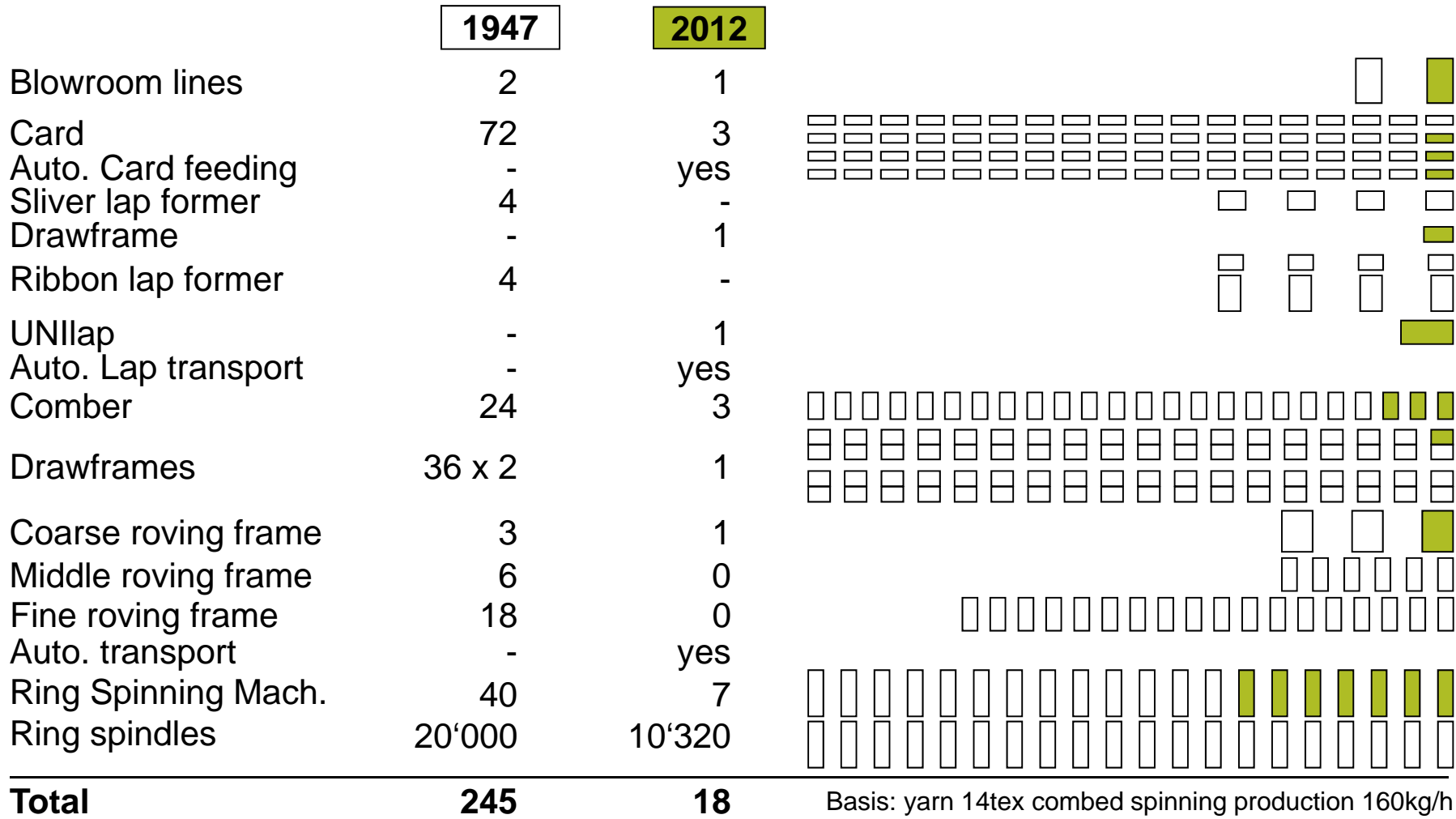


Source: Rieter / Gherzi

Productivity gain in short-staple spinning



The last decades have seen continuous productivity increase

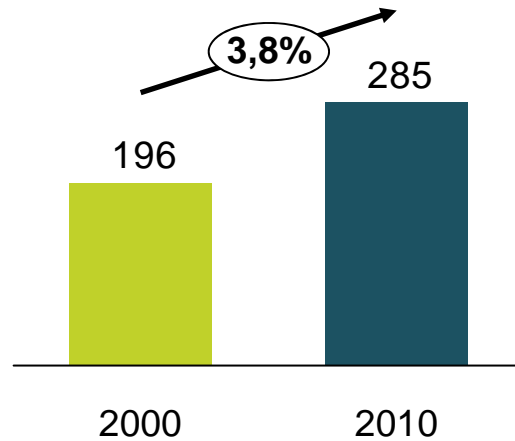


Productivity gain in short-staple spinning

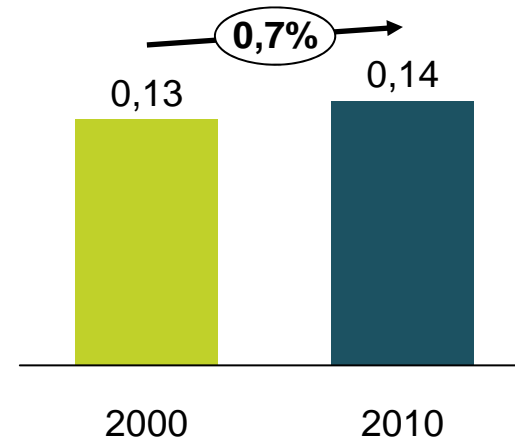


Productivity gain from 2000 to 2010 was around 1% per year

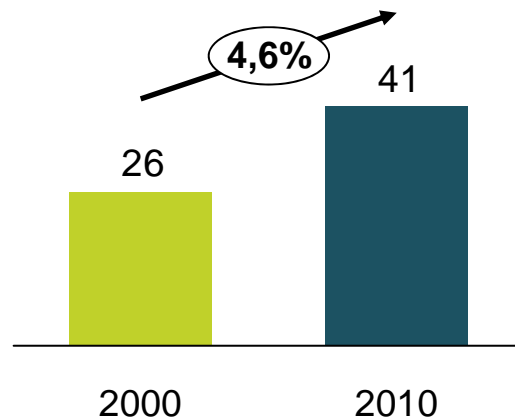
Installed spindle capacity (equivalent)



Consumption per installed spindle equivalent (million tons)



Short staple fibre consumption (million tons)



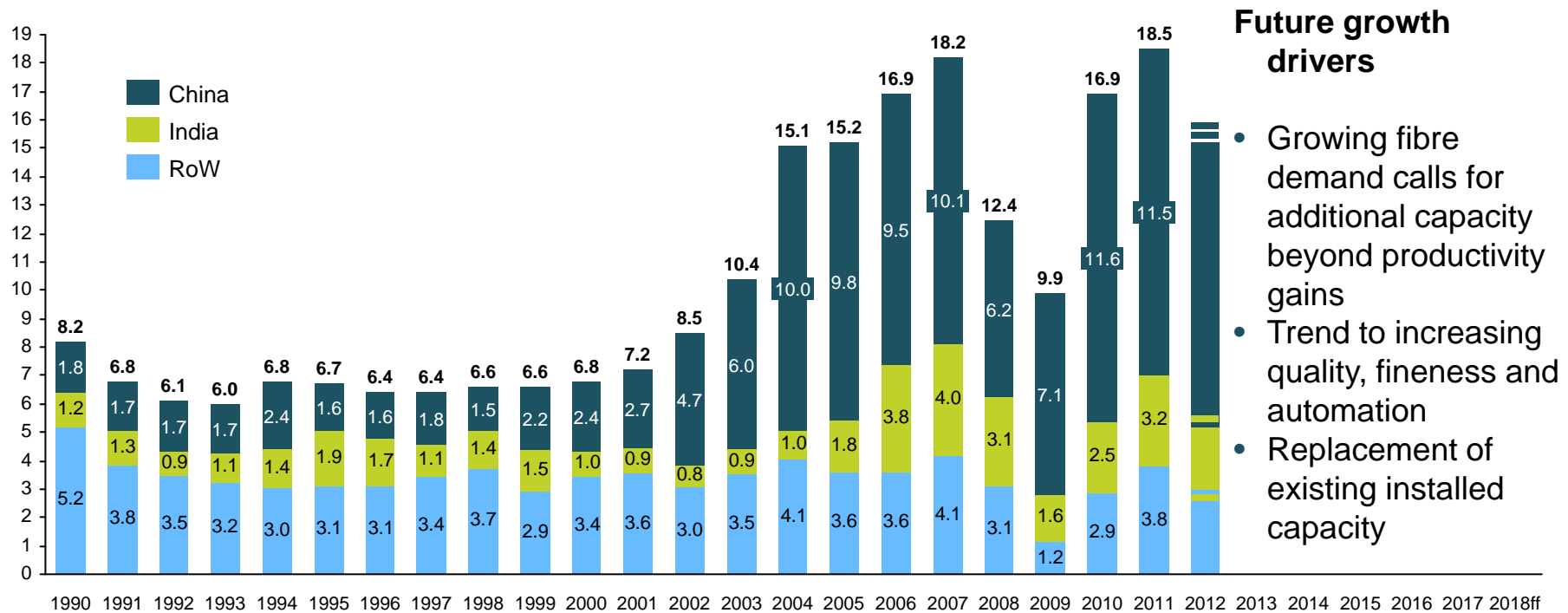
Source: ITMF, Rieter

Market development: Expansion in Asia



In a cyclical market, India and China will continue to drive growth

Spindle equivalents (shipments) - in million

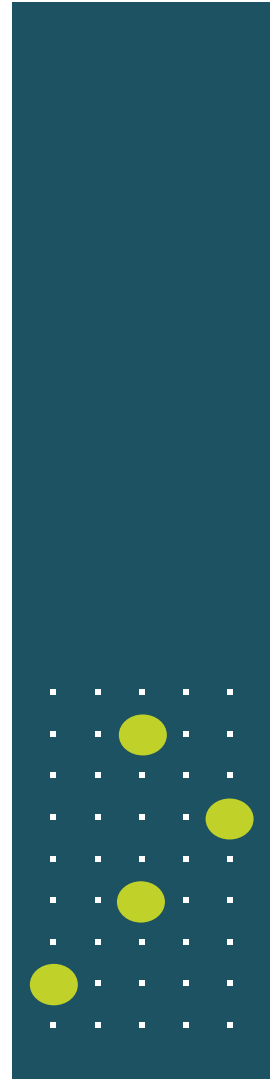


Source: ITMF, Rieter

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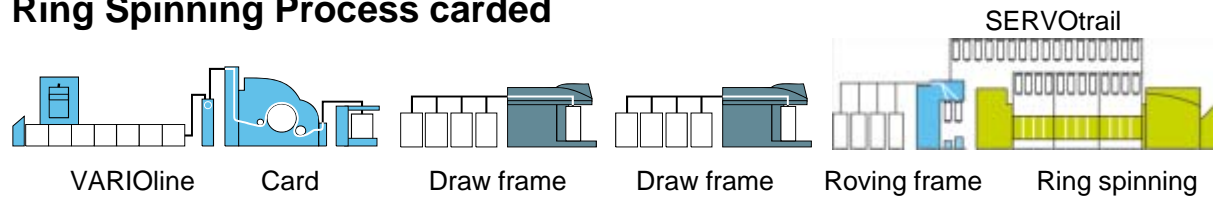


Rieter's technology offering

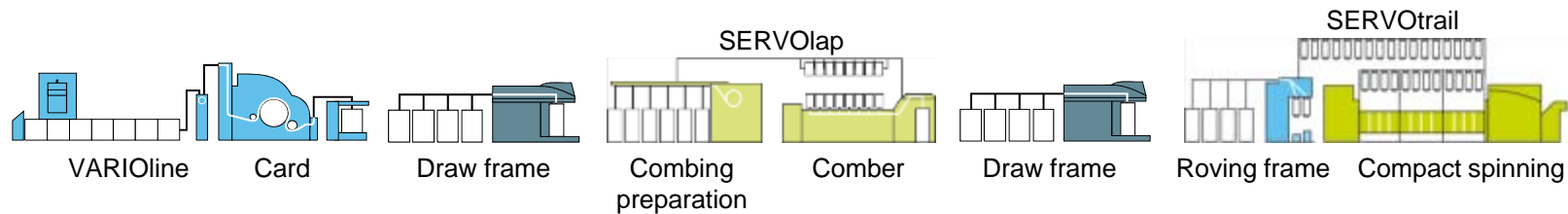


Rieter – only supplier offering four end-spinning and preparation processes

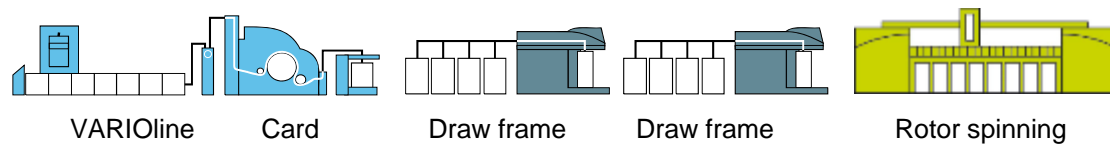
Ring Spinning Process carded



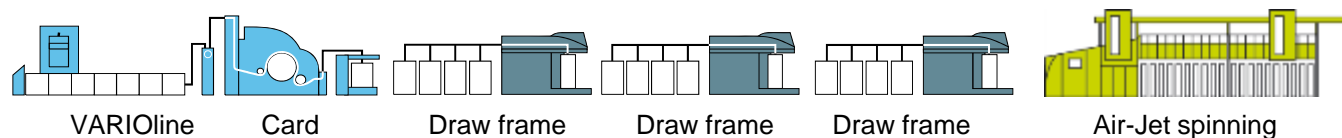
Compact Spinning Process combed



Rotor Spinning Process



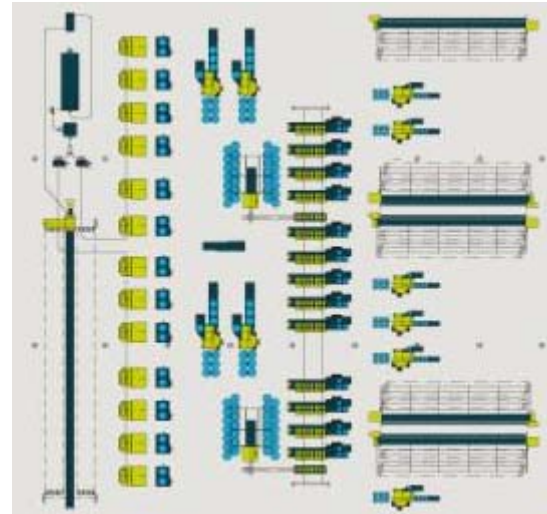
Air-Jet Spinning Process



Rieter's expertise offering



Rieter – engineering from feasibility study to full spinning mill set-up



Feasibility studies

- Simulation
- Spinning schedule
- Production costs

Mill planning

- Layout (3D)
- Automation
- Infrastructure

Project management

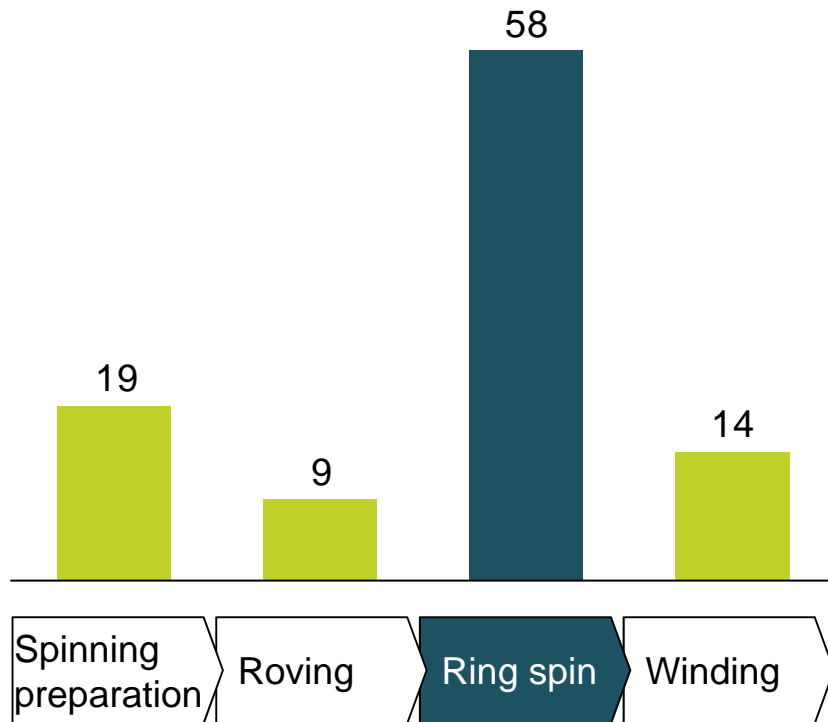
- Engineering
- Coordination
- Hand-over

Technology leadership – energy efficiency

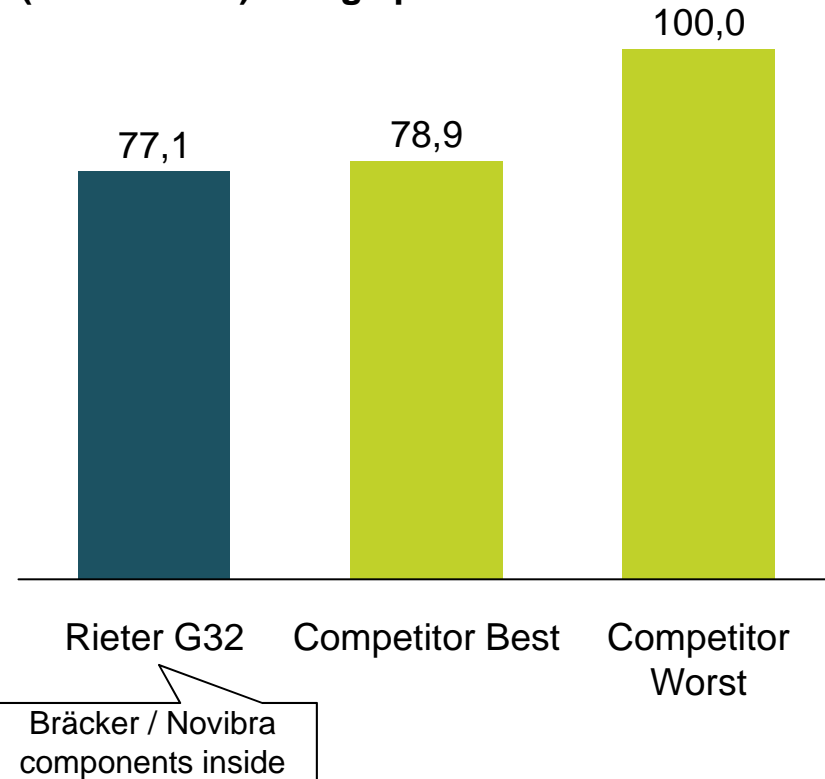


Energy efficiency especially important in end spinning with Rieter in the lead

Energy cost per process step (in %)



Power consumption per ton of yarn (kW/indexed) – ring spin

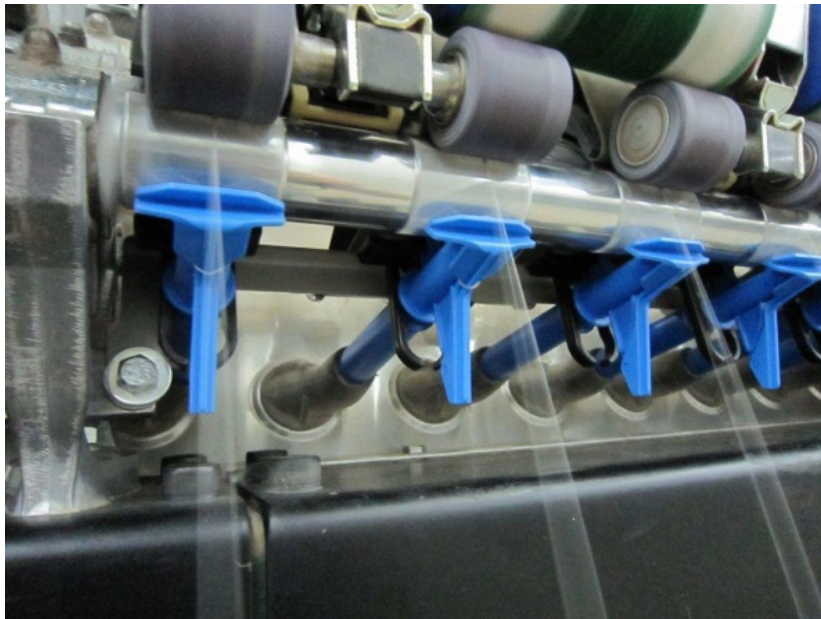


Technology leadership – innovation example: “Seahorse”



Innovations will lower energy consumption even further

“Seahorse” – the smart way to save energy on ring spinning



Customer benefits:

- 4 Watt savings per spindle =
3\$ per spindle / year =
5000\$ per machine / year
- 2 Mio. pcs. “Seahorse” will save 64 GWh*
per year – equivalent to the yearly
photovoltaic power production in
Switzerland

*Gigawatt hour

Technology leadership – quality and productivity



Keeping quality at higher productivity with lower energy consumption

Example: Card



Example: Comber



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

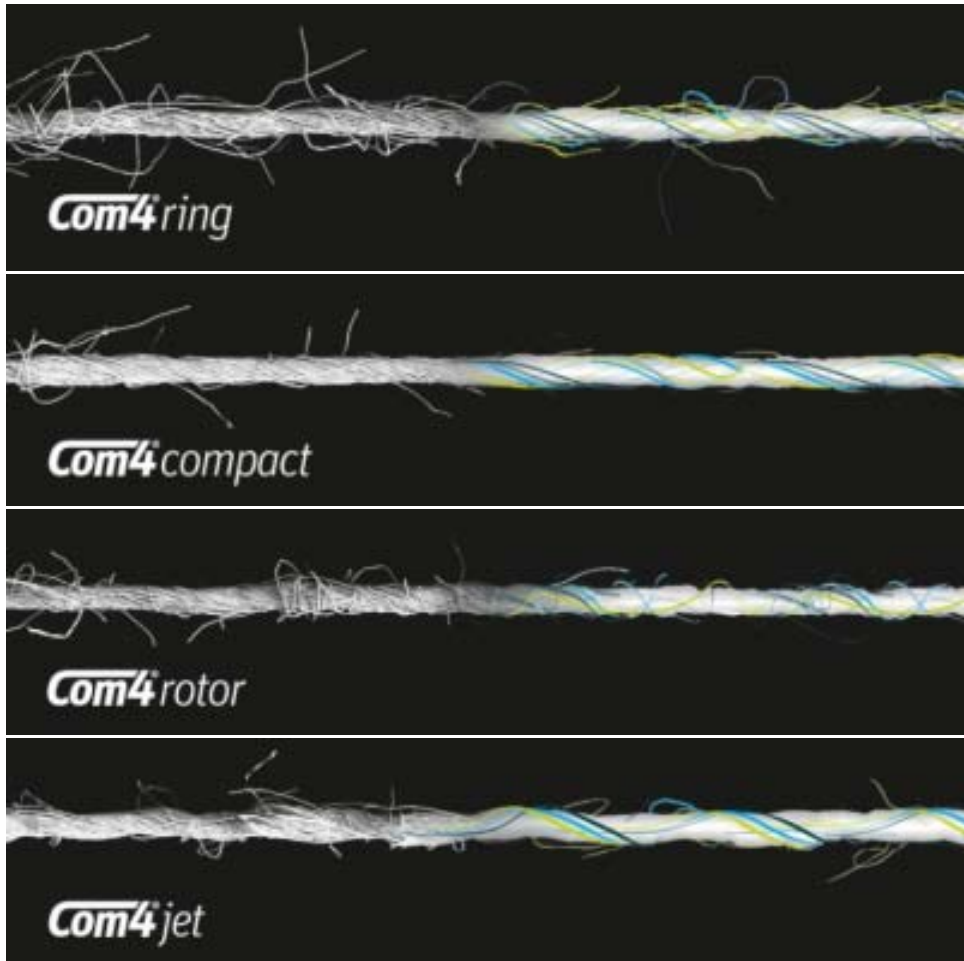
	E 80	E 76	%
	2012	2007	
	Largest active combing area + 45%; Graf combs	500 nips/min; Graf combs	
	84 kg/h sliver	74 kg/h sliver	+14
	3.8 KW / kg	4.2 KW / kg	-10

*at 225 kg

The different Rieter yarn types – Com4® Yarns



4 different types of yarn with unique properties



- Good evenness
- High tenacity
- Constant quality

- Highest tenacity
- Low hairiness
- High work capacity

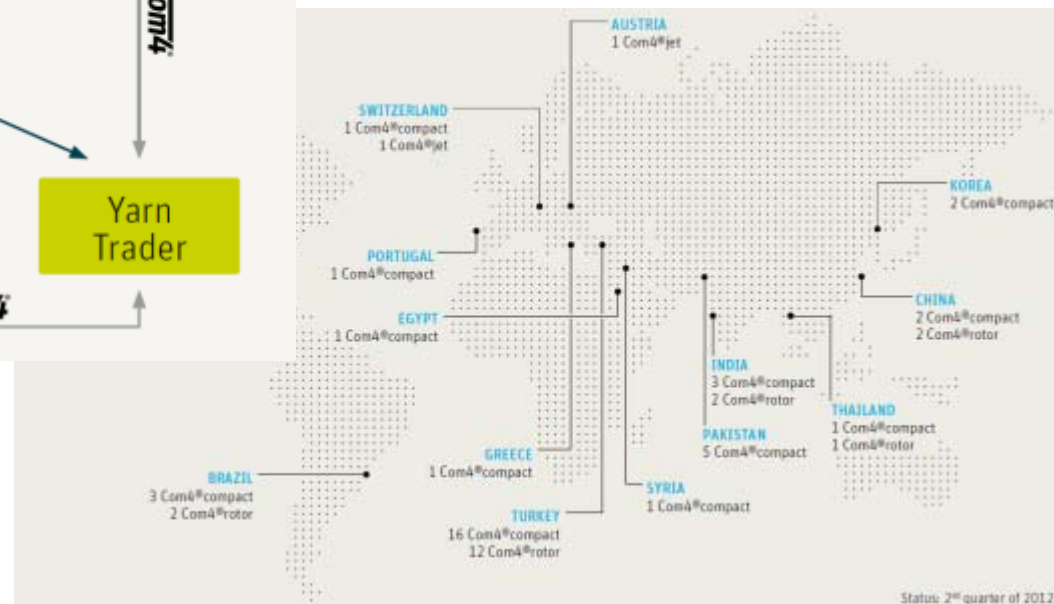
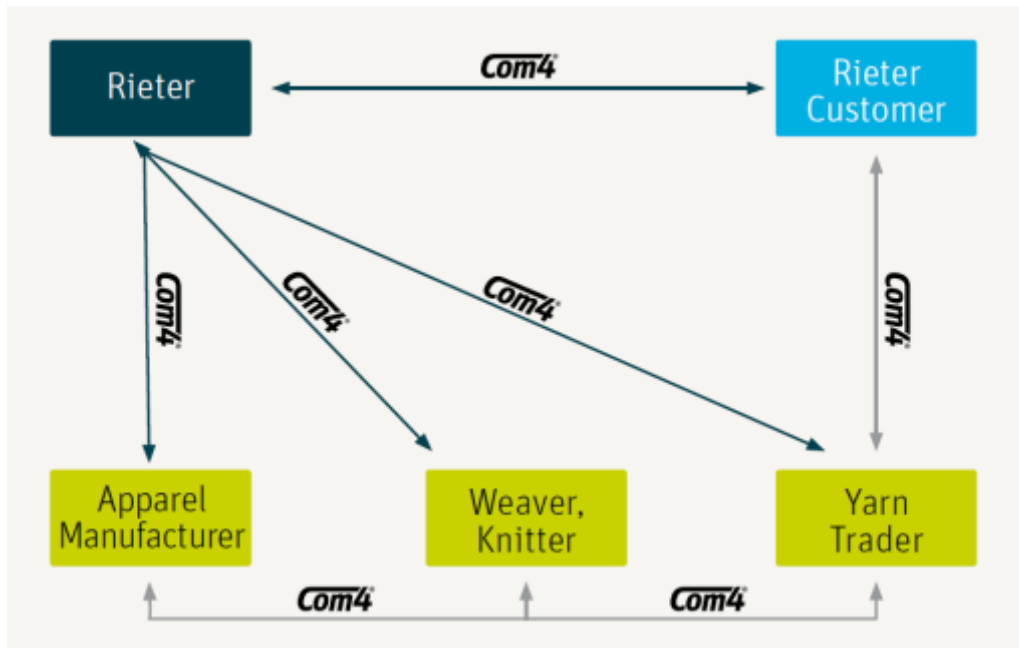
- Highest evenness
- Lowest variation in tenacity
- Good abrasion resistance

- Low hairiness
- Bulky structure
- High abrasion resistance

Rieter Com4[®] Yarns – the yarn brand



Rieter offers a unique yarn brand license to help promotion to the yarn trader

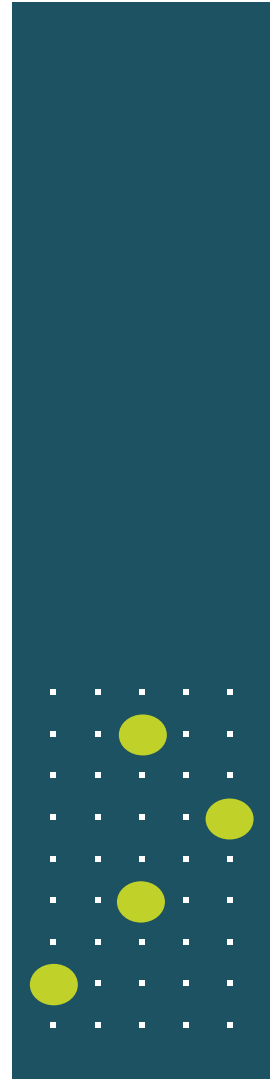


The Com4[®] license world – already 58 participants worldwide

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Rieter – Strategy implementation organic growth



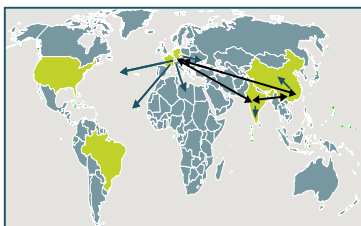
Continued intensity of strategy implementation in 2012 / 2013



- **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

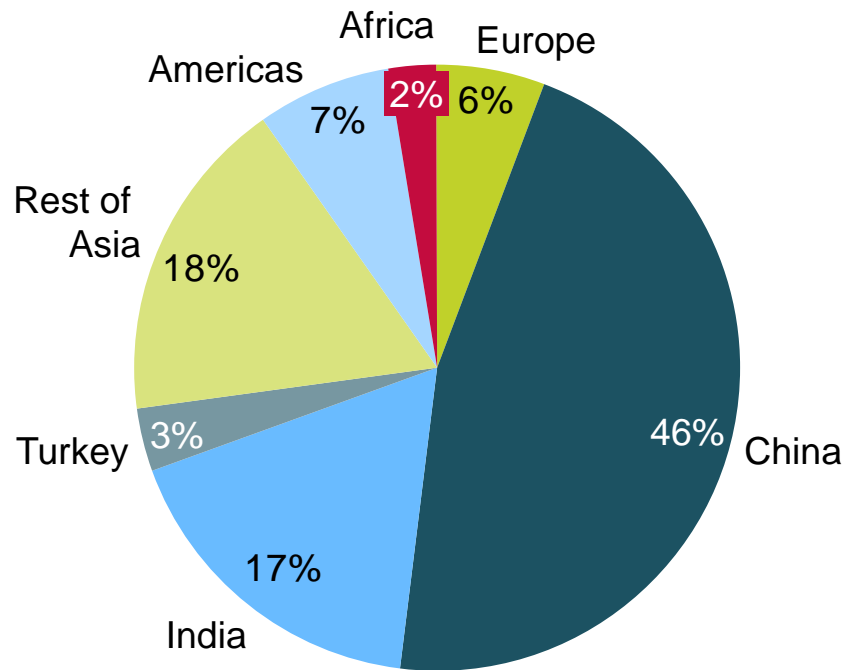
Financing for investments in 2012 / 2013 is in place

Expansion in Asia: Potential in China and India



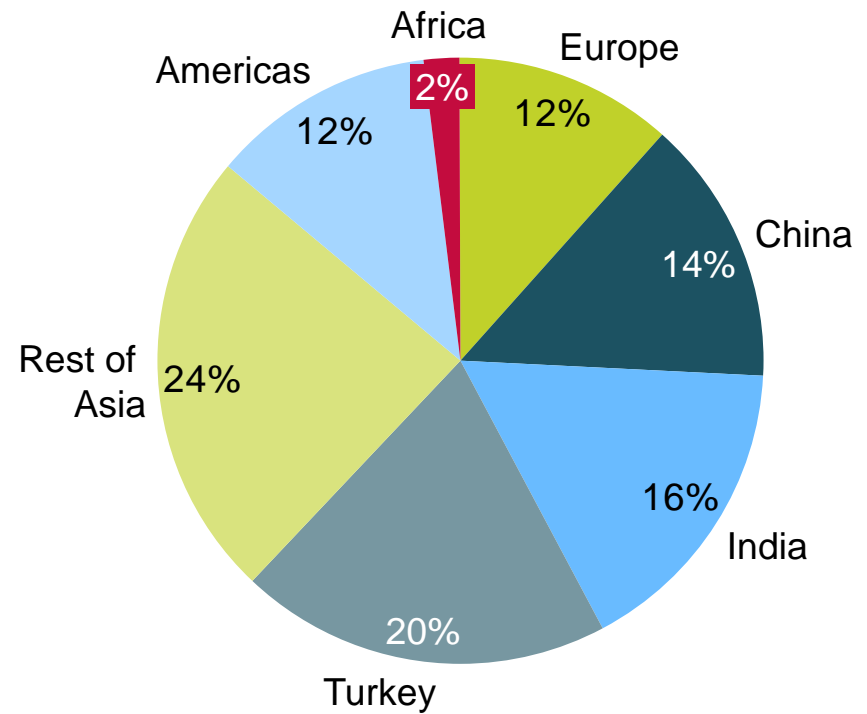
Significant potential to increase market position in China

2010, world-wide installed capacity (spindle equivalents) in %



Source: ITMF statistics

2011, Rieter sales distribution in %



Expansion in Asia: Five-year plan of China



China 5-year plan demands for quality and productivity increase in spinning

Main Targets of the 12th Five-year Plan of Cotton Sector

Index	2010	2015	Change in %
Production (10'000 tons)	2717	3450	+27%
Share of non-lap carding (%)	48.06	65	+35%
Share of knot-less yarn (%)	69.35	85	+23%
Share of fabric woven on shuttle-less looms (%)	75.75	85	+12%
Share of combed yarn (%)	28.1	31	+10%
Labor force of ring spinning workshop (labor/10'000 spindles)	110	60	-45%
Labor force of weaving workshop (labor/100 looms)	120	100	-17%

Source: China Cotton Textile Association

Expansion in Asia: Ring spin vs. competition



.....
Rieter product portfolio allows for productivity and quality increase

Example: Ring spin

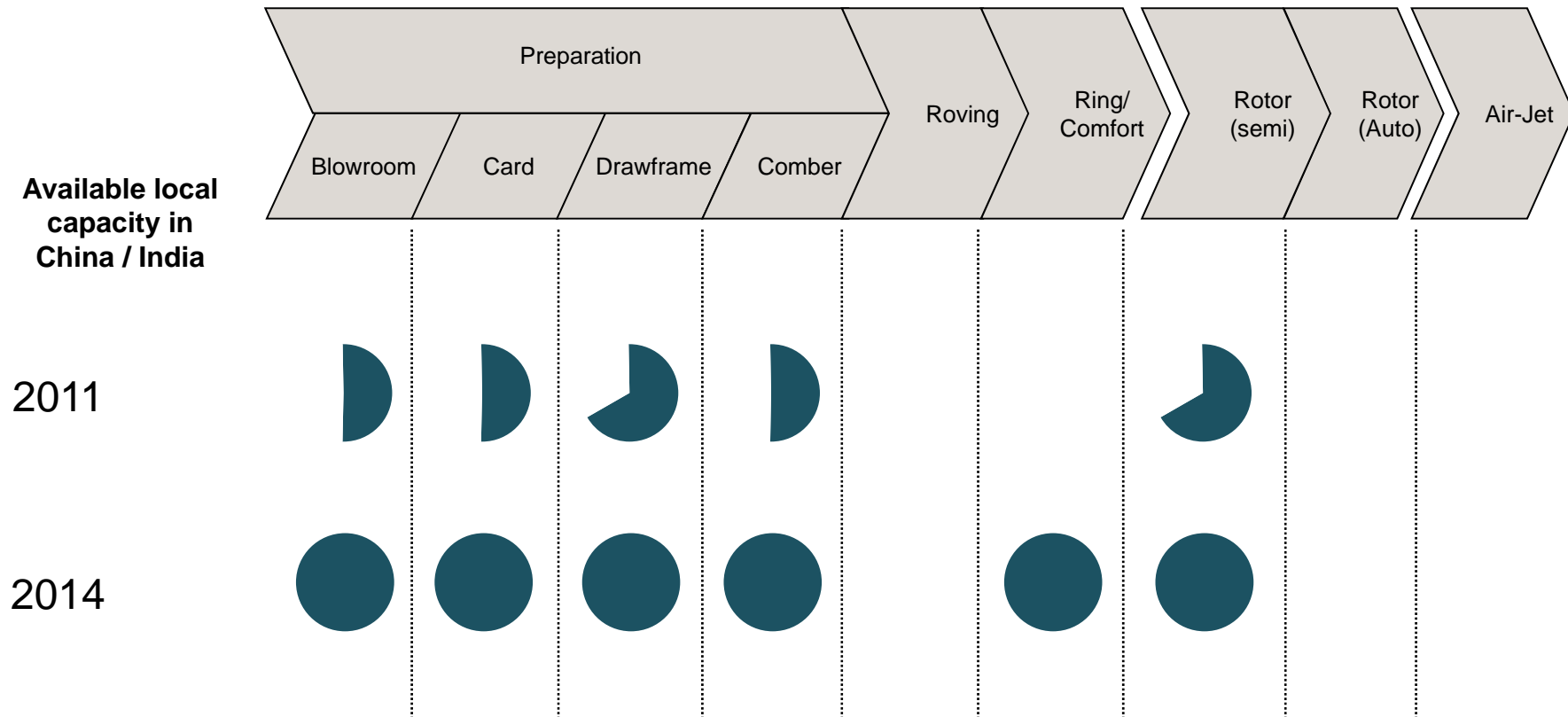


	Rieter G32	Local competitor	%
Energy consumption (kWh/kg)	98%	100%	-2
Average spindle speed (Ne 32)	110%	100%	+10
Labour requirement (FTE for ring spin)	88%	100%	-12
Total production (per day in kg)	131%	100%	+31
Utilization (per day)	107%	100%	+7
Fibre yield (in percent of input)	104%	100%	+4

Expansion in Asia: Addressing growth potential



Increase in locally available product portfolio to address growth potential



Expansion in Asia: Progress of build-up in China



First part of Plant II inaugurated and operational – construction ongoing

Changzhou – Plant I



Changzhou – Plant II



Expansion in Asia: Progress of build-up in India

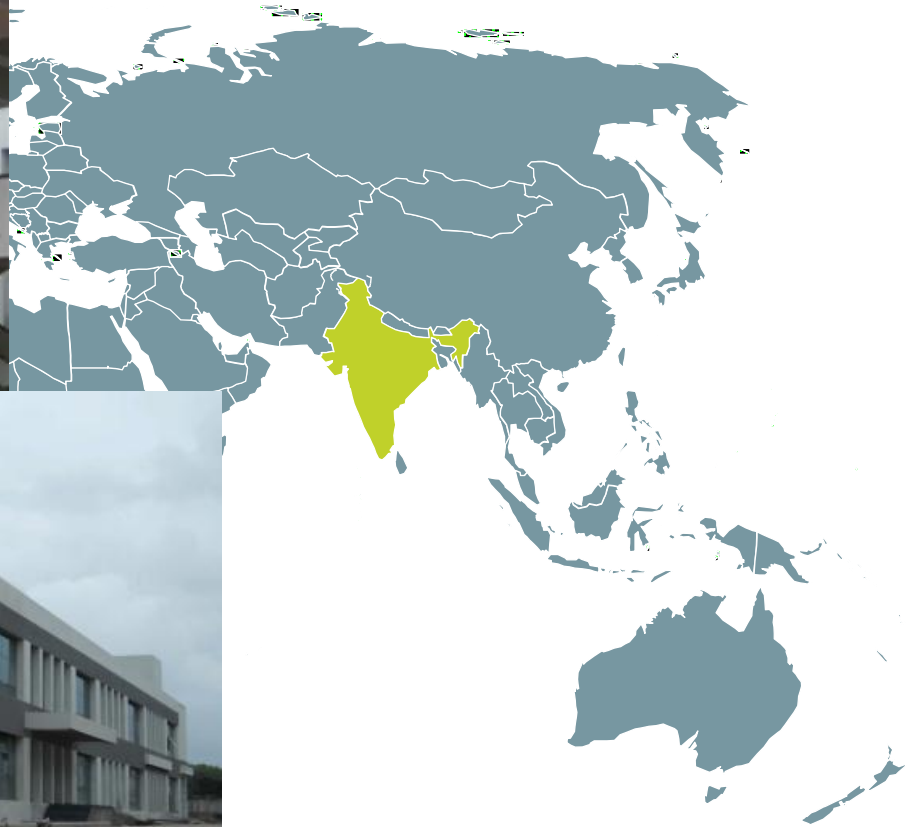


Buildings have been finished – capacity ramp-up ongoing

Wing (Pune)



Koregaon Bhima (Pune)



Process improvements (1/2) – Examples



Standardisation of processes and value chain improvements

China



Switzer-land



Process improvements (2/2) – Examples



Standardisation of processes and value chain improvements

Czech Republic



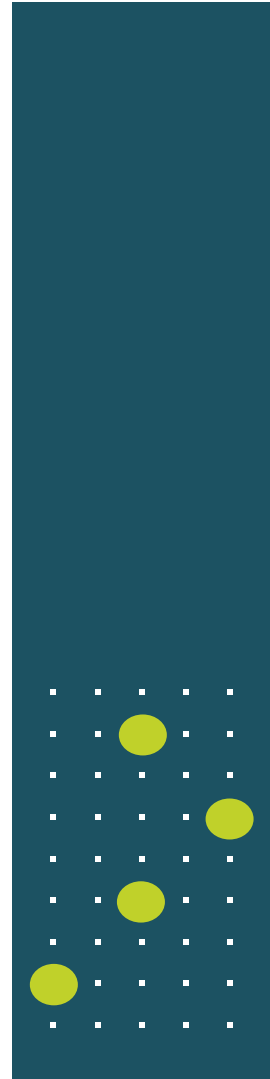
India



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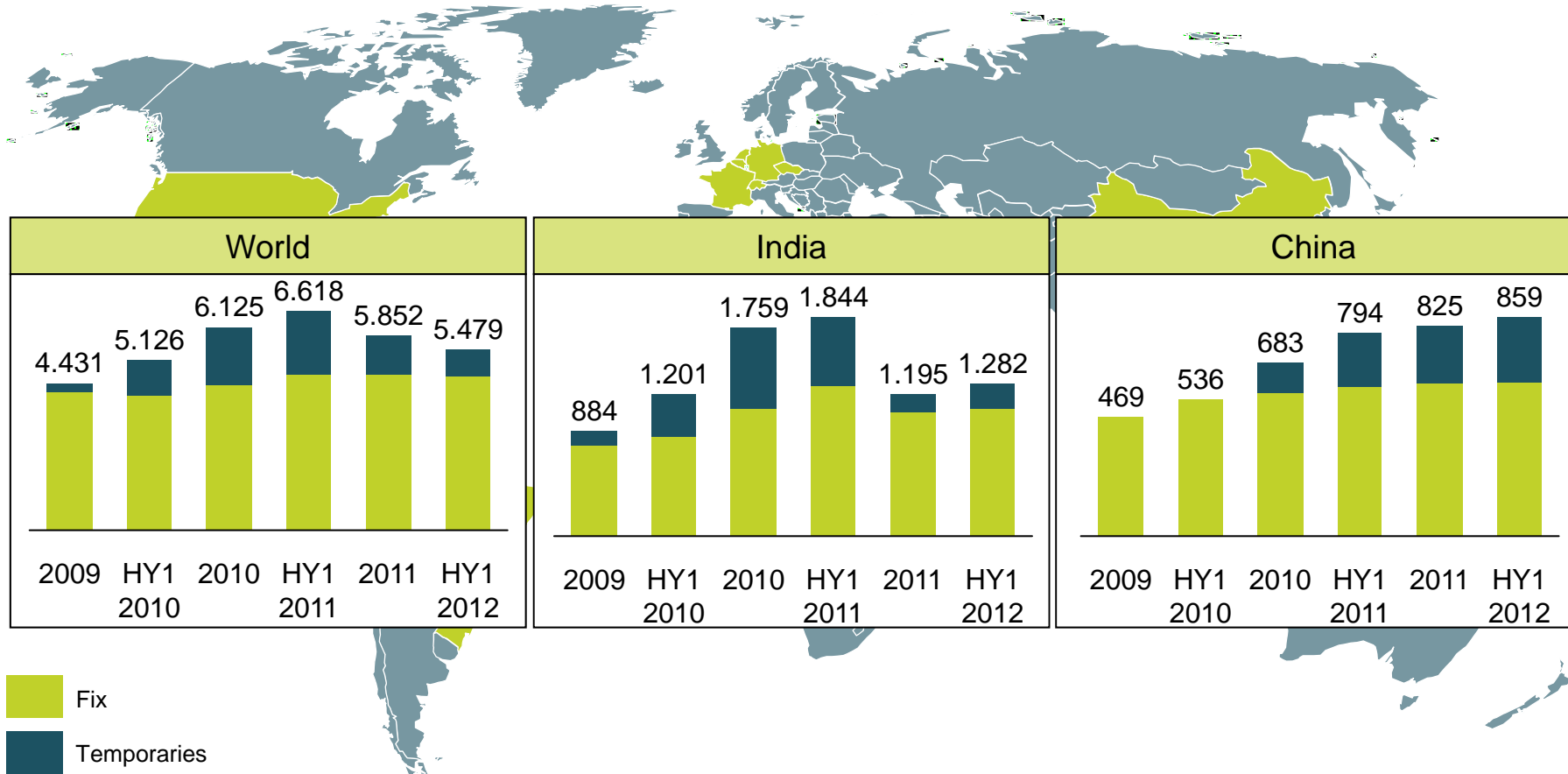


Cycle management: Employees



Adjustment to volume swings and increase in China and India

Distribution of employees (FTE)

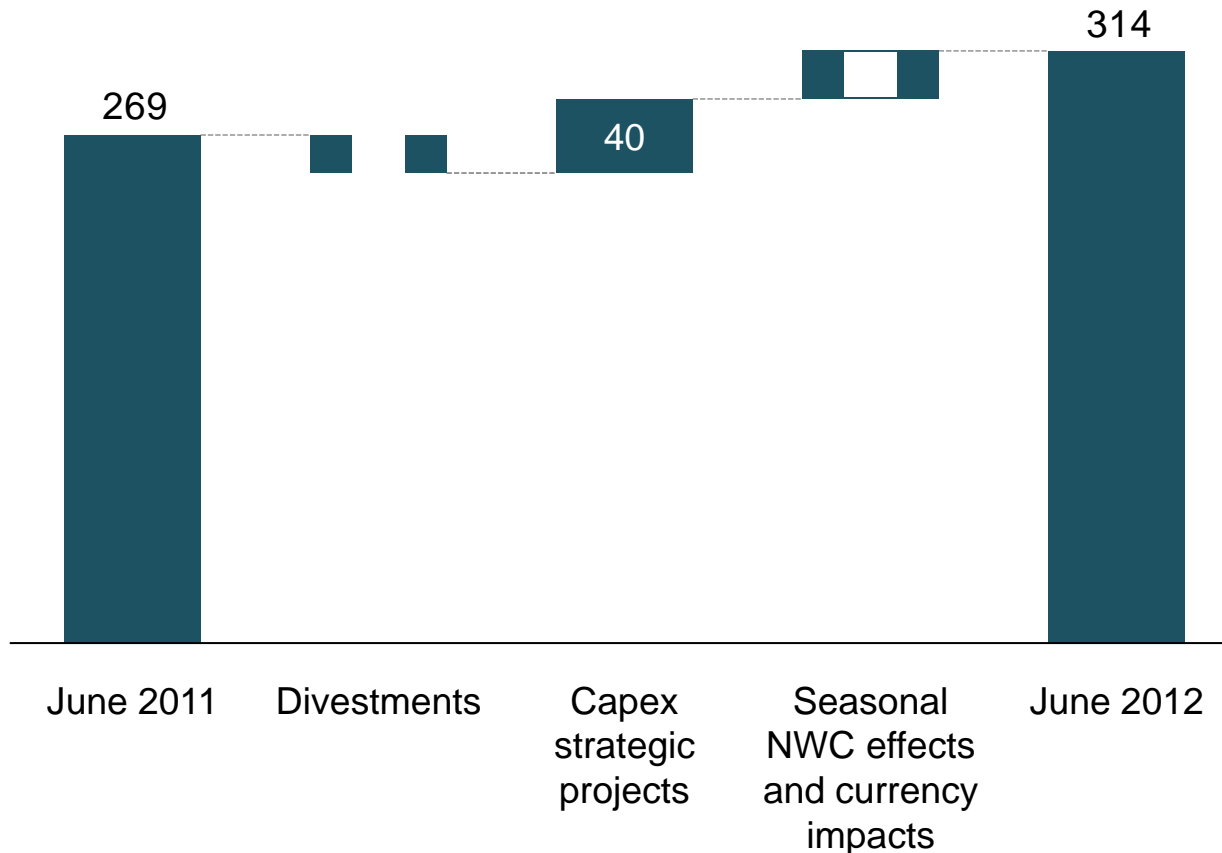


RONA – Managing the asset base



Selected divestments help to compensate for investment programme impact

Tangible fixed assets and NWC (in Mio CHF)

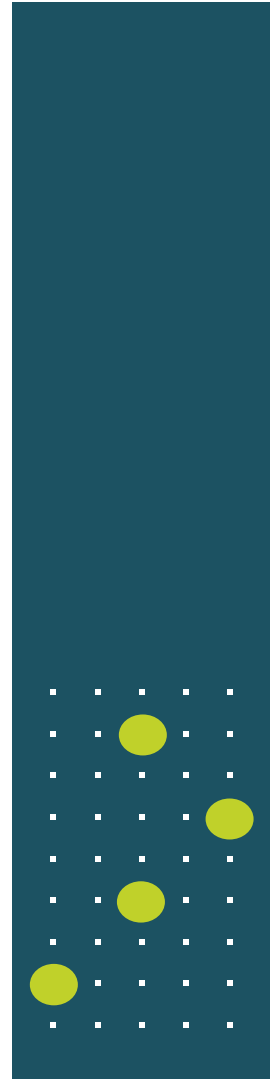


- Selected divestments in Czech republic and India, consolidation in Switzerland
- Capital expenditure for strategic projects driven by investment programme 2012/2013
- Net working capital in June 2012 at 85.2 Mio CHF (2011: 65.6 Mio CHF) due to seasonal effects

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Challenging market environment with slight pick-up in northern India

- Spinning mill margin continued to be stable and on a profitable level. However, downstream buying behaviour remained volatile. Financing for projects is becoming increasingly more difficult, especially in China and India, leading to a generally more challenging market environment.
- Chinese market is generally weaker due to locked-in raw material prices, but looking for automation, upgrade in equipment and lower energy demand. Smaller spinning mills are under pressure.
- In Turkey, government incentive program has still not yet shown large effects.
- In the third quarter, India has seen a pick-up in investment demand, with northern India showing more interest than in the southern states. Government incentive programs have been announced in the states Gujarat and Maharashtra.
- In other countries development is heterogeneous.
- In the third quarter, a pick-up in order intake in the Indian market has been registered. A stable third-quarter order intake in China in a difficult market confirms the attractiveness of Rieter's product portfolio. Overall, Rieter managed to increase its order intake in the third quarter compared to the average of the two previous quarters mainly thanks to larger machinery orders. The majority of these orders will be delivered in 2013.

Outlook 2012



- 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 currently reckons in the second semester with a weaker trend in sales compared to the first semester. The decrease against the first semester is estimated at slightly above twenty percent due to the shift of machine orders into 2013, cancellations and lower component sales. Rieter expects operating profitability (EBIT) in the second semester to follow volume development and to show the effects of a less favourable product mix. The planned investment activity in growth projects and process improvements will further reduce operating margin (EBIT margin) by around three percentage points. Rieter expects operating profitability to be around break-even level in the second semester 2012.

Guidance over the cycle

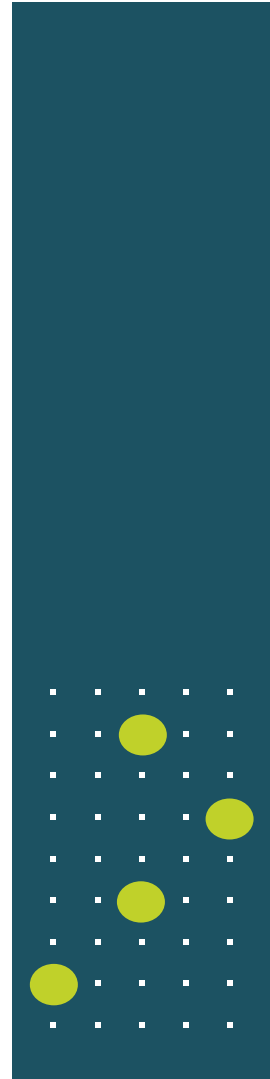


	Over the cycle
Sales	Sales growth of > 5%
EBIT margin	> 9% over the cycle, peak years > 12%
Net result	> 6 % over the cycle, peak years > 8%
RONA	peak years > 14%
Capex	4 – 5 % of corporate output
Dividend policy	Target pay-out ratio of approx. 30% of net result

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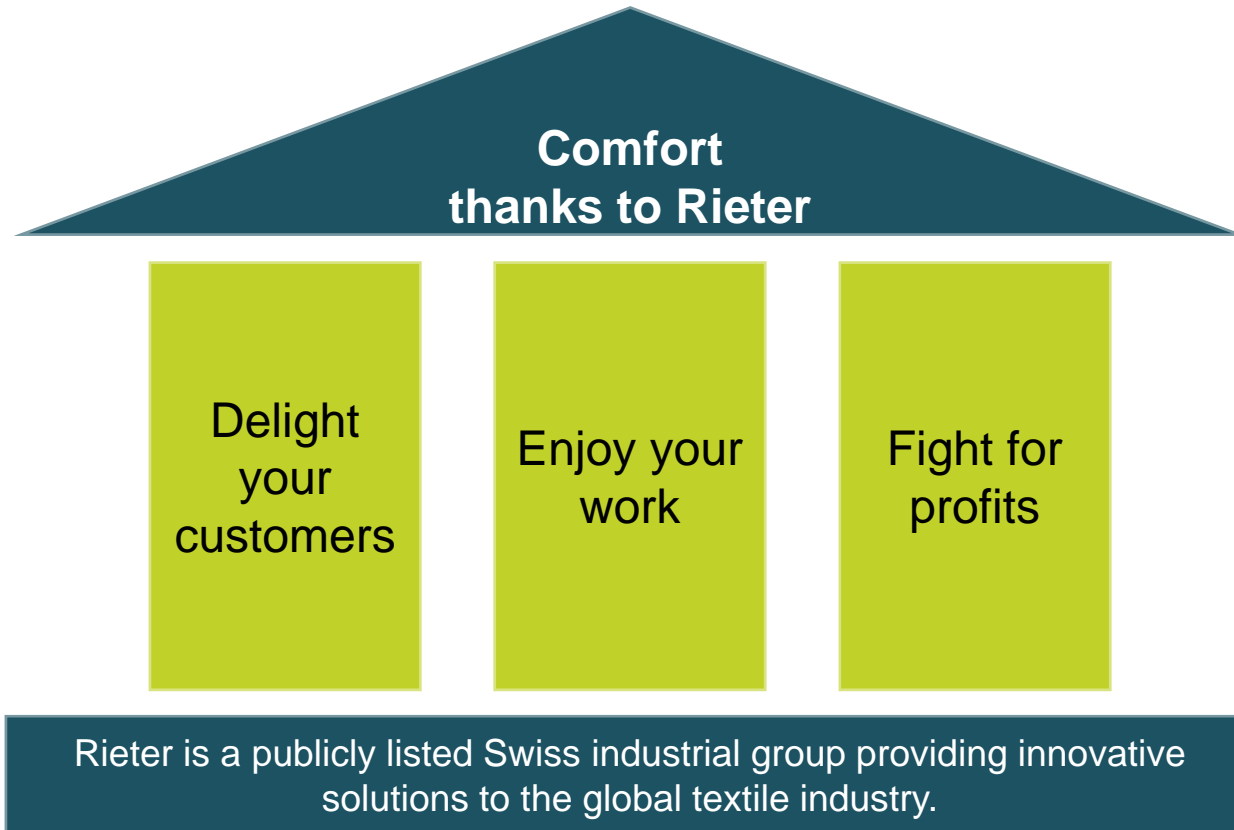
Summary



RIETER – a leading supplier of short staple textile machinery and components

- Rieter is active in the short-staple industry – both with natural and man-made fibers. This segment is expected to grow with 2-3% per year till 2030, surpassing the productivity gains seen in the past. In a cyclical market, India and China will continue to drive growth.
- Rieter is the only supplier offering all 4 end-spinning and the spinning preparation technologies – a full systems supplier offering turn-key solutions with leading components know-how.
- Energy efficiency is especially important in end spinning – with Rieter in the lead. Rieter’s innovations will lower energy consumption even further and keep quality even at higher productivity.
- Rieter offers 4 different types of yarn with unique properties and helps the spinning mills in the promotion to the yarn trader, leveraging textile technology know-how beyond spinning.
- Rieter sees significant potential to increase its market position especially in China. China and India will see an increase in demand for machinery and components offering higher productivity and quality and lower energy demand. Rieter product portfolio covers these demands – capacity increase for locally available products is addressing this growth potential. The timely execution of the investment program 2012/2013 will allow Rieter to profit from this development.

Values and principles



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