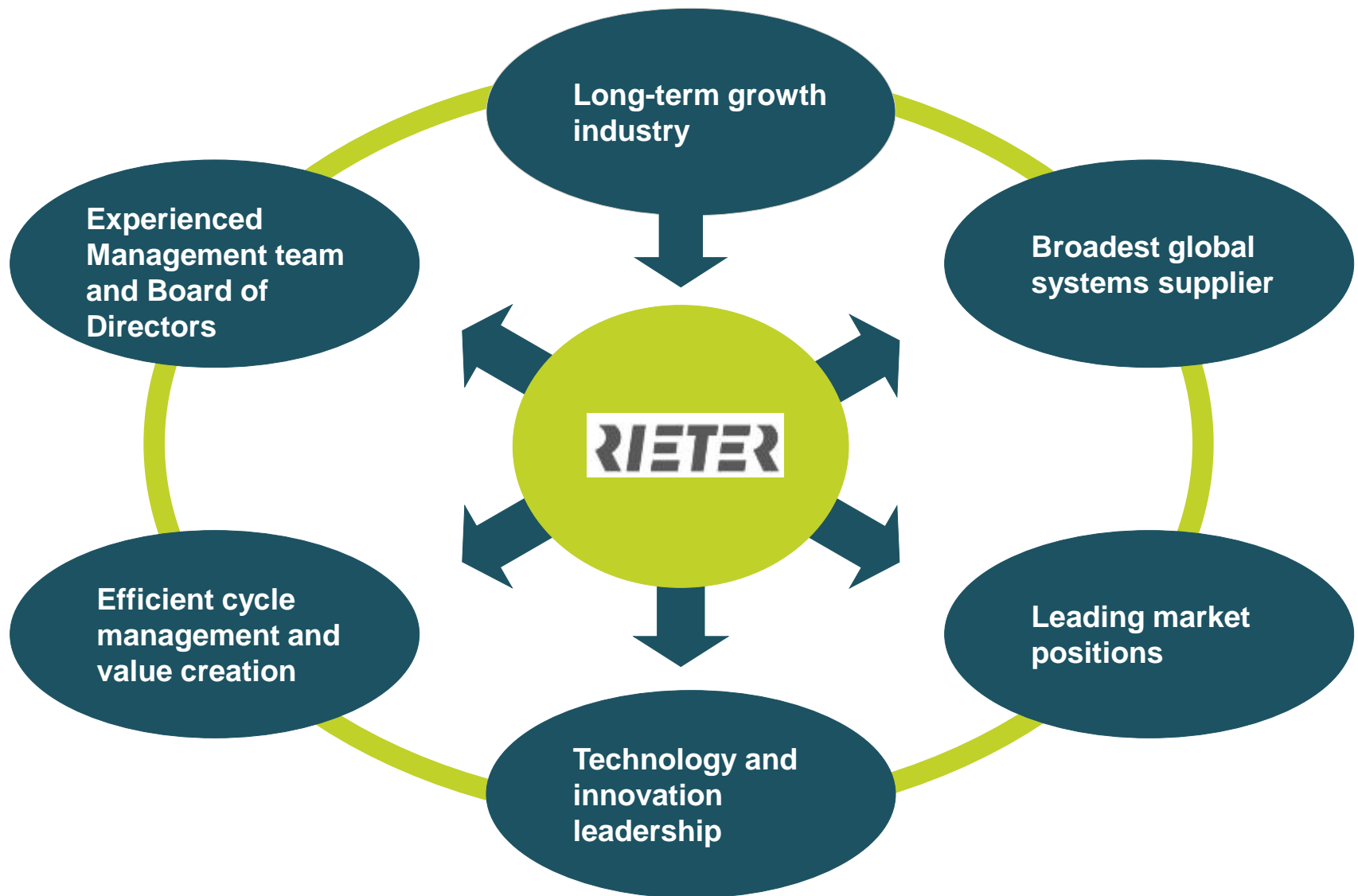


Rieter Holding – Investor presentation

2012 – November

1. Introduction and strategy of Rieter
2. Technology leadership
3. Investment program 2012/2013
4. Financial results first half year 2012
5. Market development & Outlook

Key investment highlights of Rieter



History of Rieter



1795 – 1925

1925 – 1984

1984 – 2011

Future

Pioneer & diversification phase

Trading of cotton

Cotton spinning mill

Production of numerous goods in addition to spinning machinery:

- Turbines
- Streetcars

Rieter Machine Works Ltd. becomes a publicly listed company

Focus on spinning machinery

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

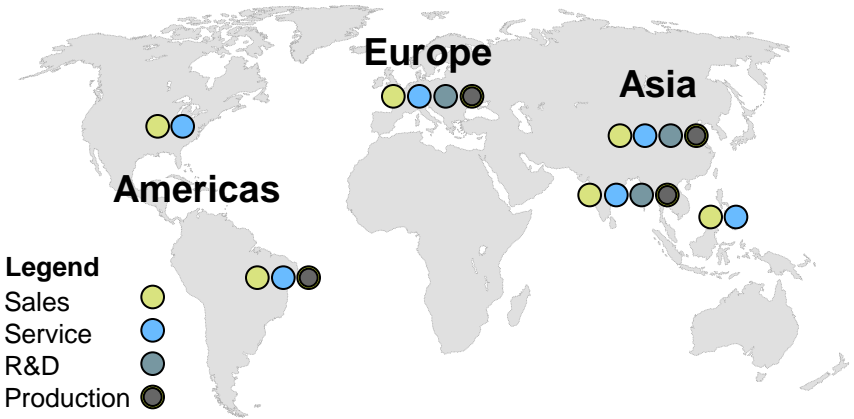
Focus on textile machinery and components:

A leading supplier of short-staple fiber machinery and components

Rieter – Broadest global systems supplier



Global supplier...



...of spinning machinery and components



Full-liner...

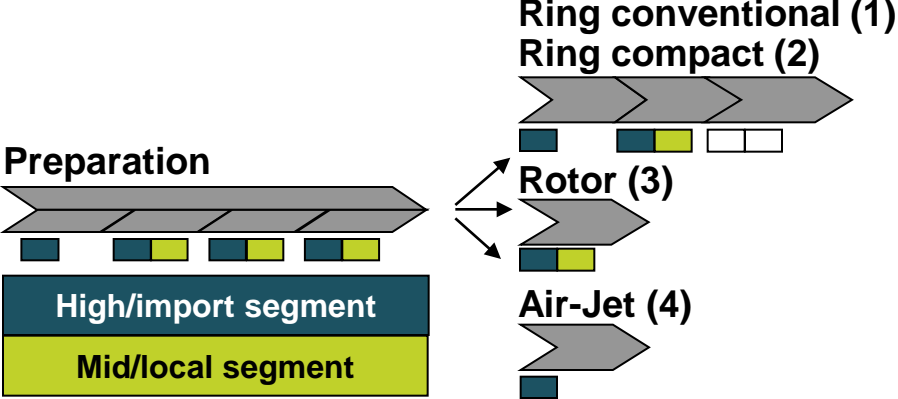
From raw material...



...to yarn



...covering preparation and all four spinning technologies



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/-

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/-

import/local

Business Group Spun Yarn Systems



Leading systems supplier in the spinning process



Brand:
RIETER

- **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

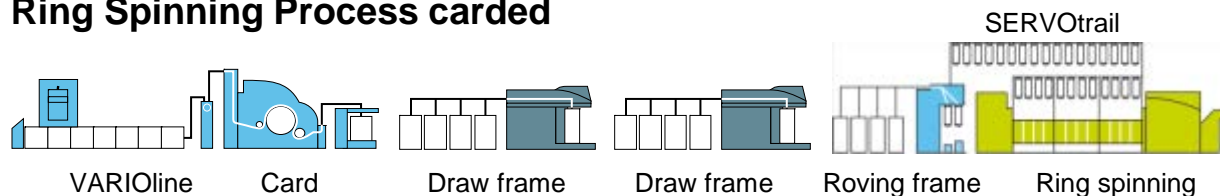
CHF million	2011	2010
Order Intake	775.0	1217.9
Sales	861.7	674.0
Corporate Output	866.3	669.4
EBIT	81.2	42.4

Rieter's technology offering

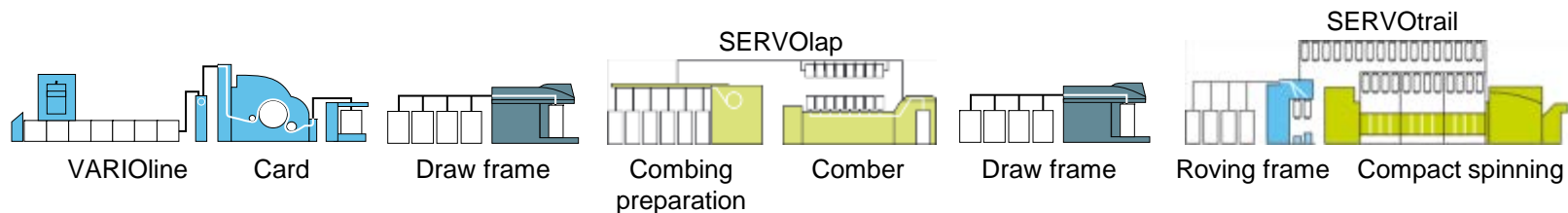


Rieter – only supplier offering four end-spinning and preparation processes

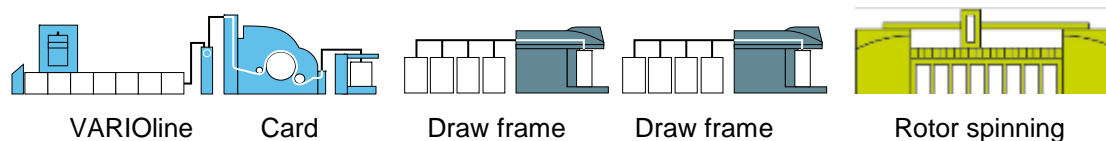
Ring Spinning Process carded



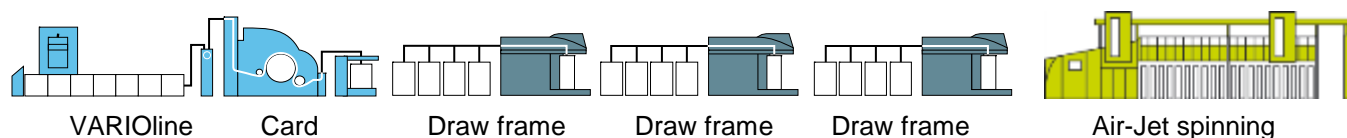
Compact Spinning Process combed



Rotor Spinning Process



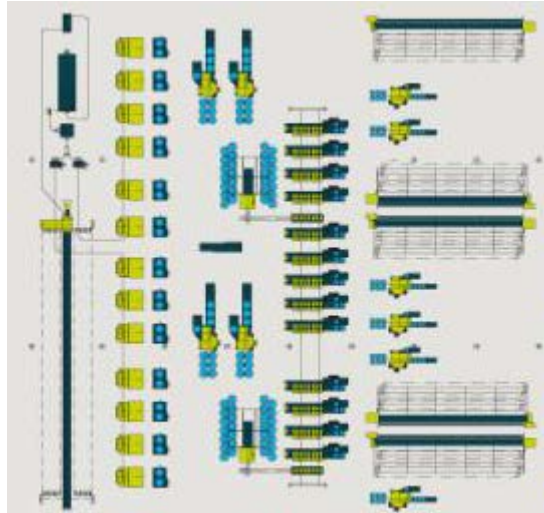
Air-Jet Spinning Process



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

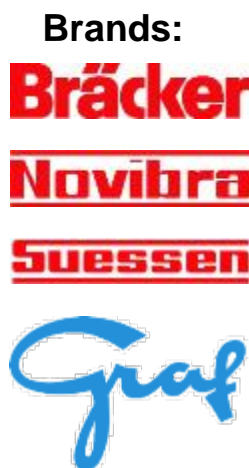
Project management

- Engineering
- Coordination
- Hand-over

Business Group Premium Textile Components



Leading supplier of premium textile components



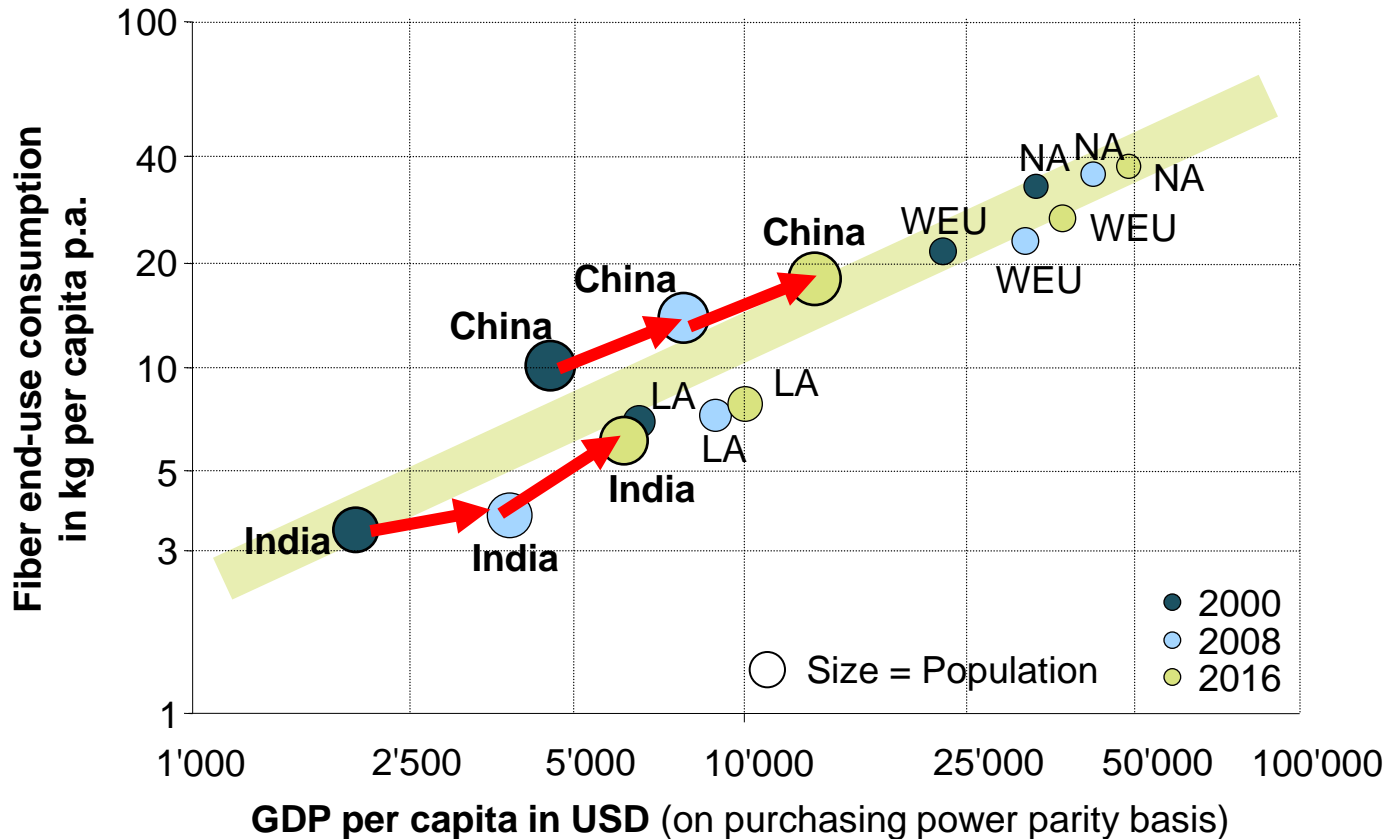
- **Customers / regions:** Spinning mills and OEMS (Rieter and third) in India, China, Turkey, Europe, South East Asia, North and Latin America, Africa
- **Market size:** ~1'100 million CHF (2010)
- **Product offering:** Durable and wear & tear components for short staple spinning machinery
- **Global 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

Textile sector growth

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

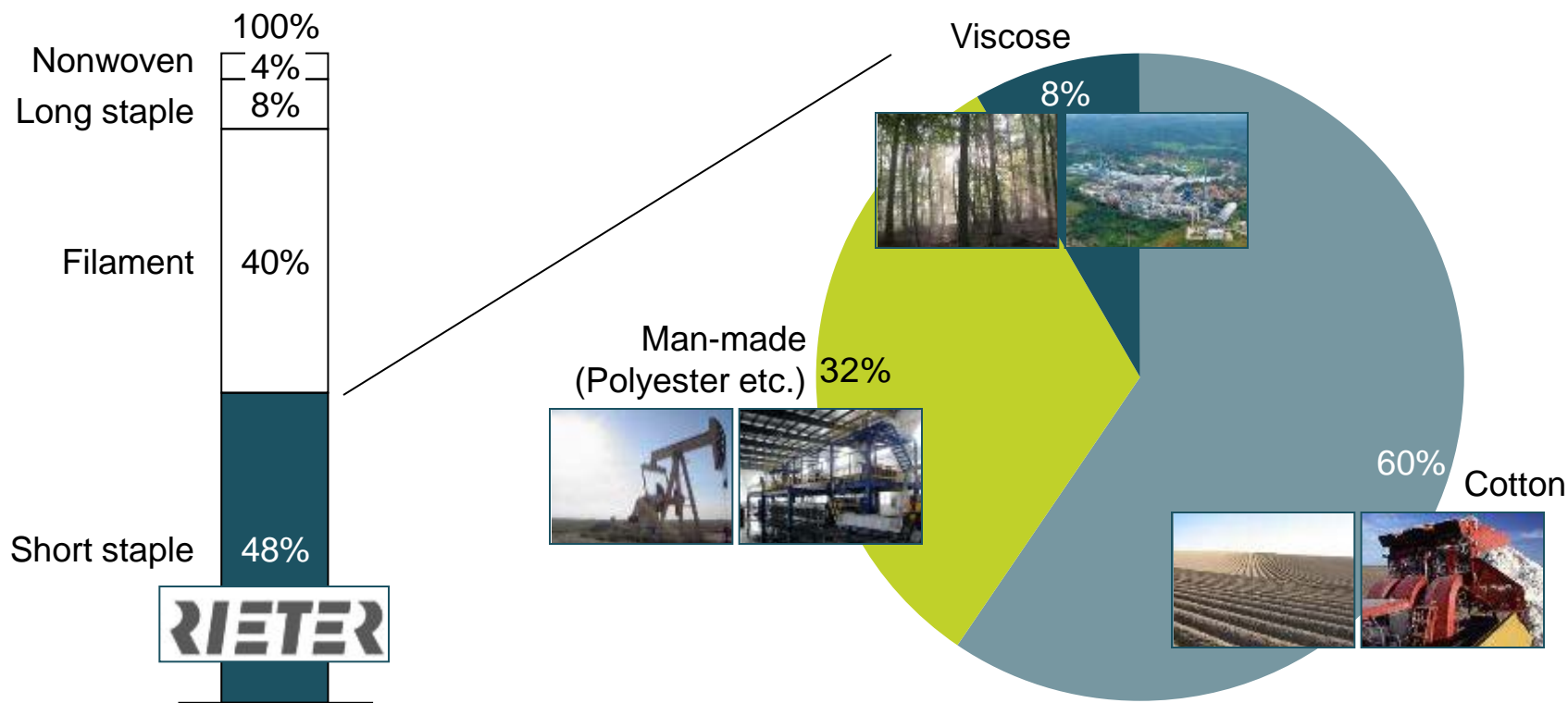
GDP and fiber consumption growth



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



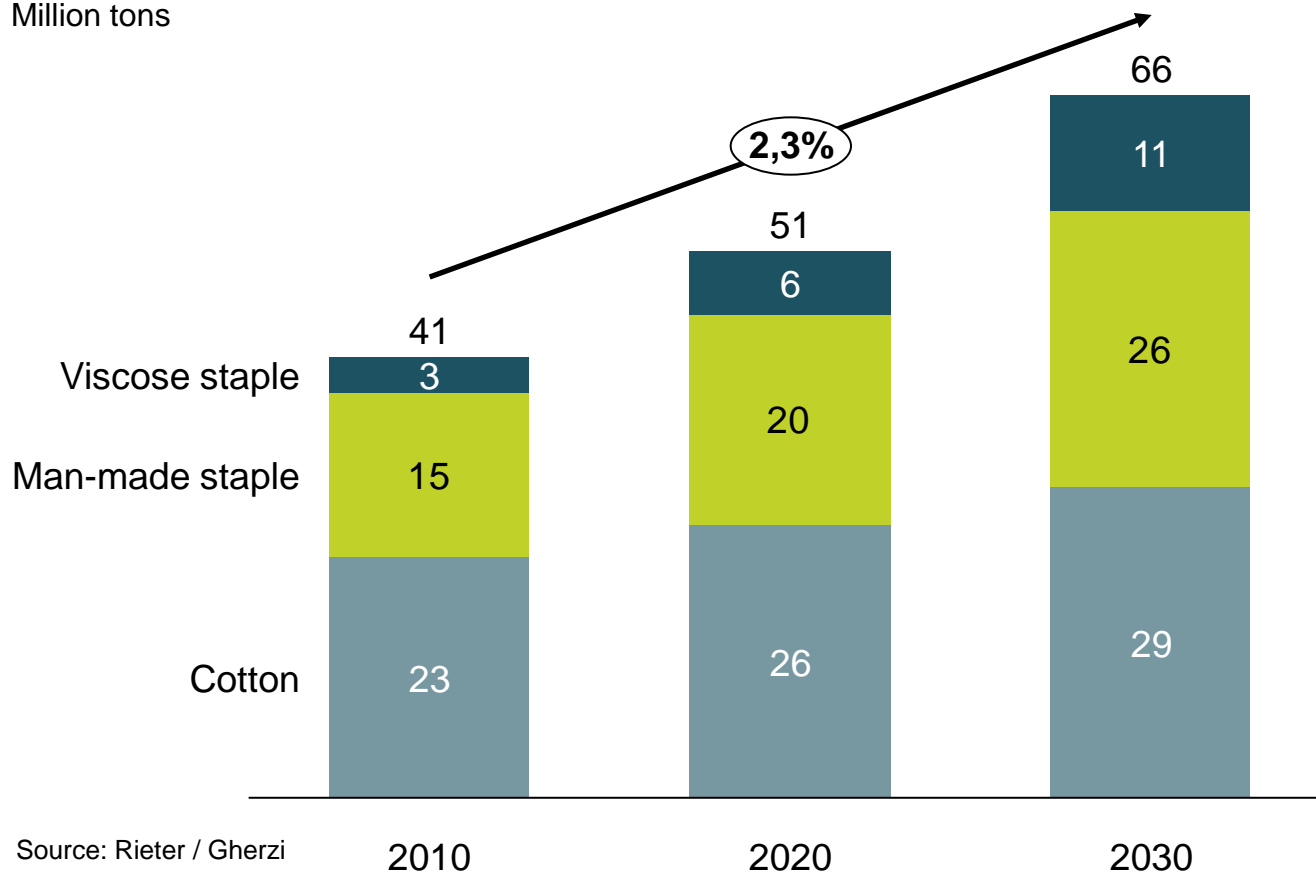
2010

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

2010

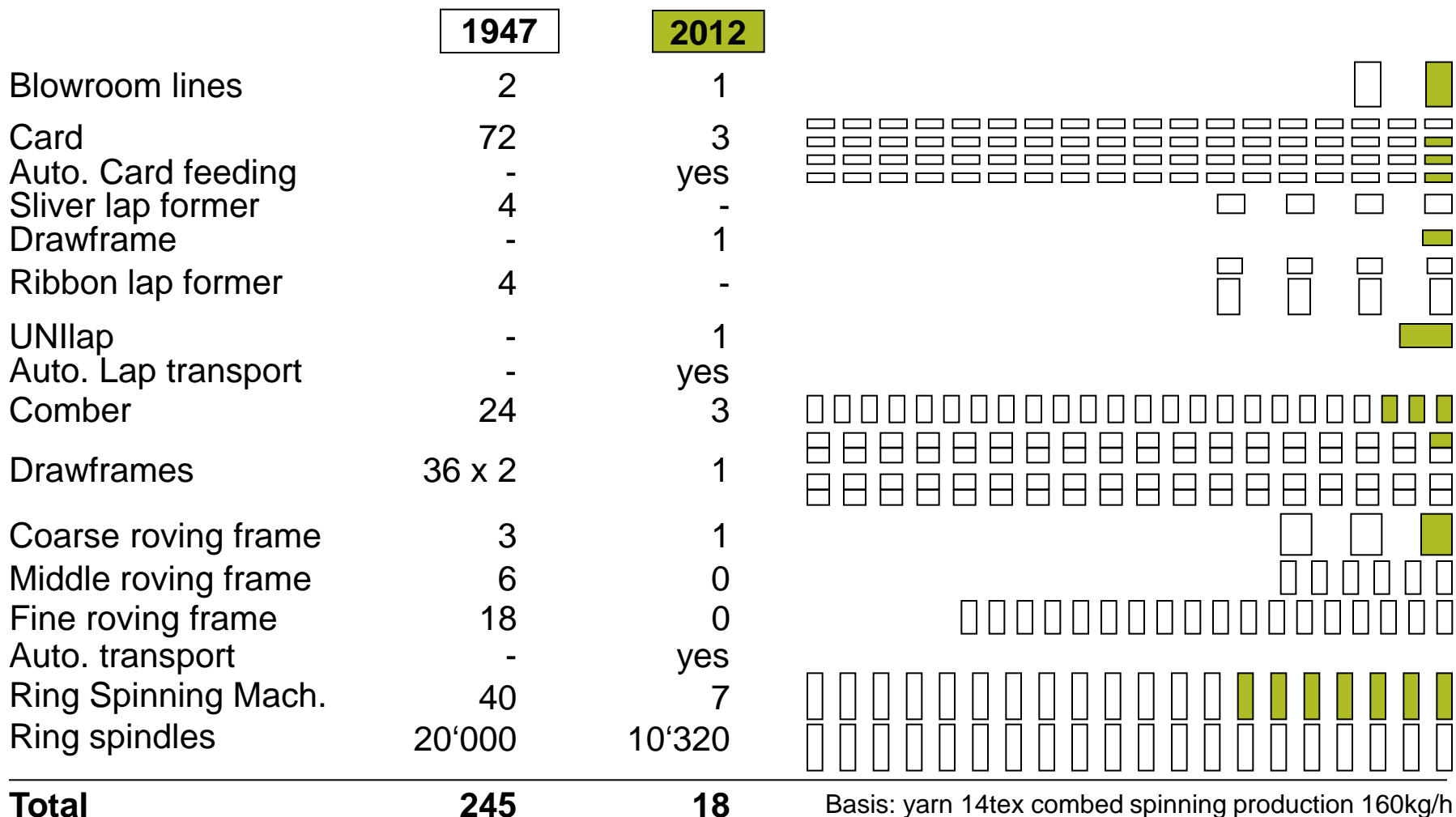
2020

2030

Productivity gain in short-staple spinning



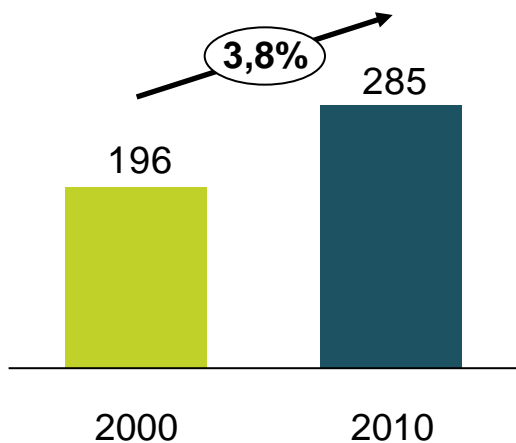
The last decades have seen continuous productivity increase



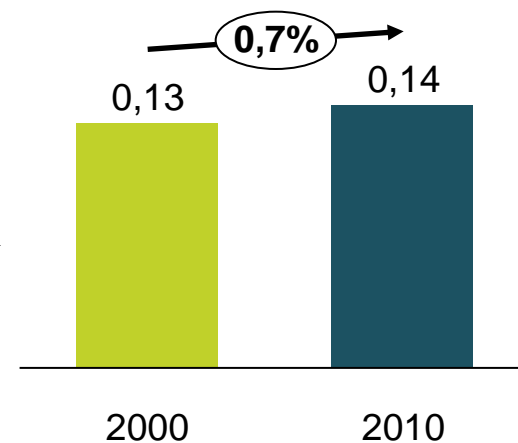
Productivity gain in short-staple spinning

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

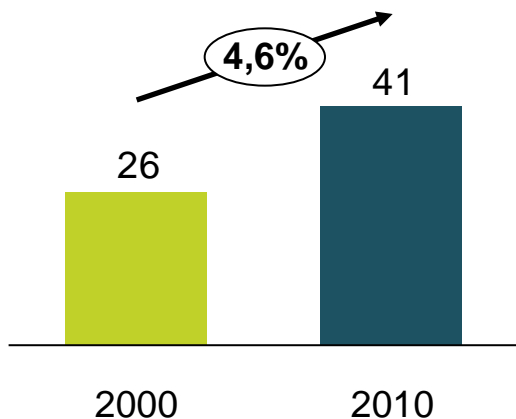
Installed spindle capacity (equivalent)



Consumption per installed spindle equivalent (million tons)



Short staple fibre consumption (million tons)



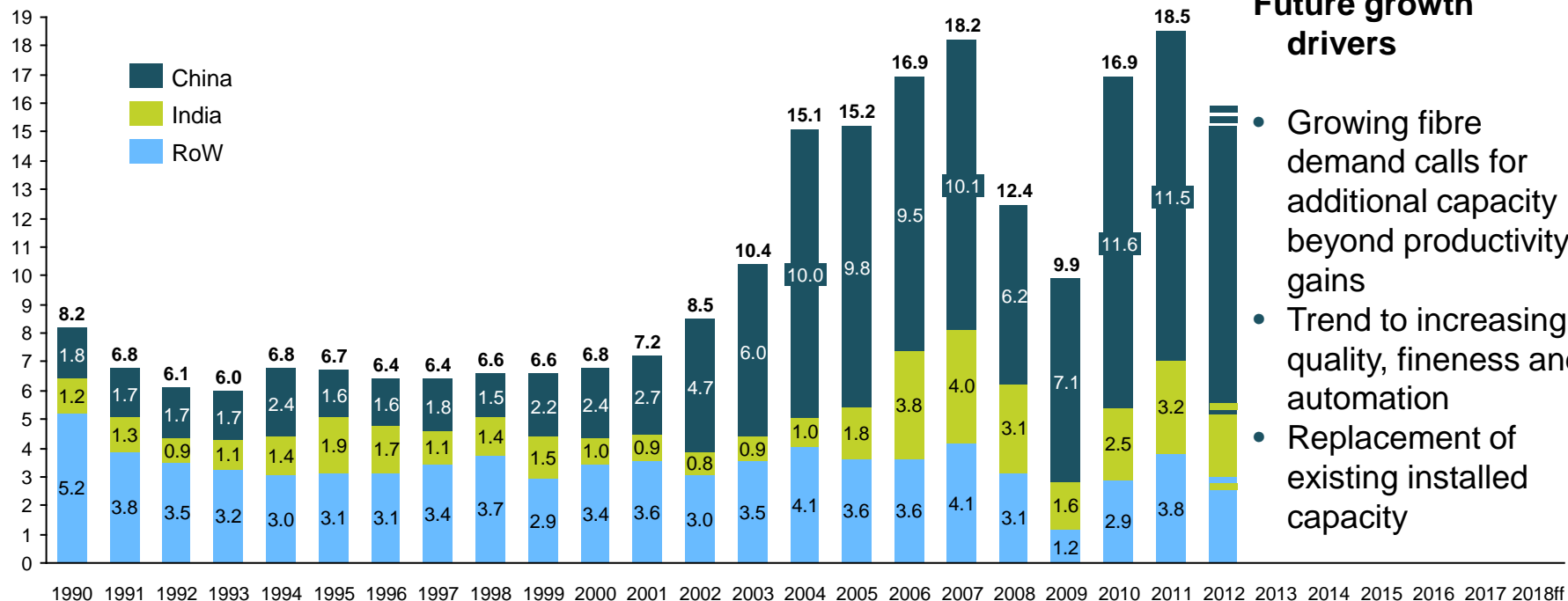
Source: ITMF, Rieter

Market development: Expansion in Asia



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

Spindle equivalents (shipments) - in million



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

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

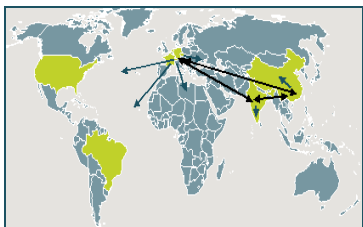
Continued intensity of strategy implementation in 2012 / 2013



- **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

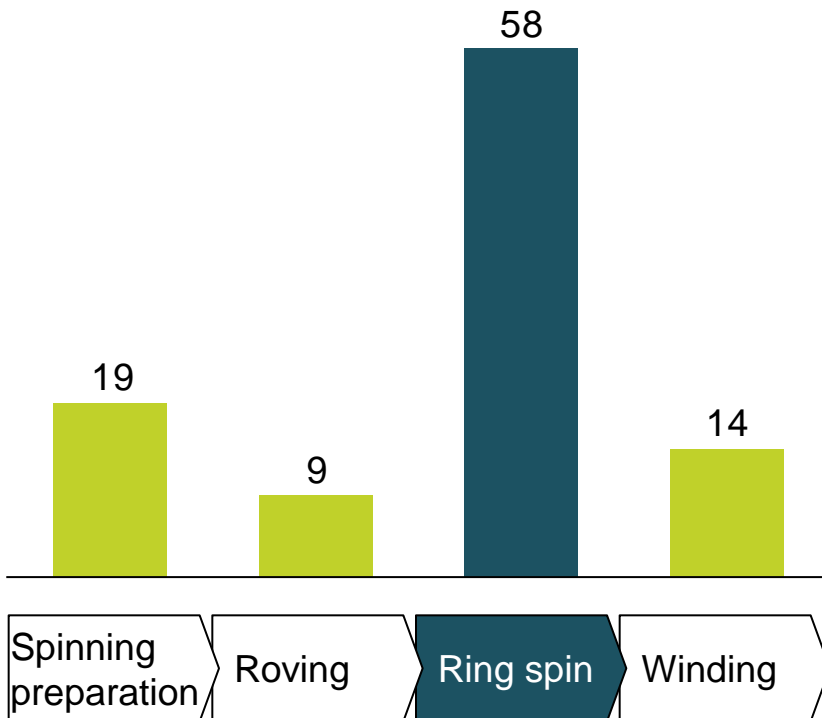
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Technology leadership – energy efficiency

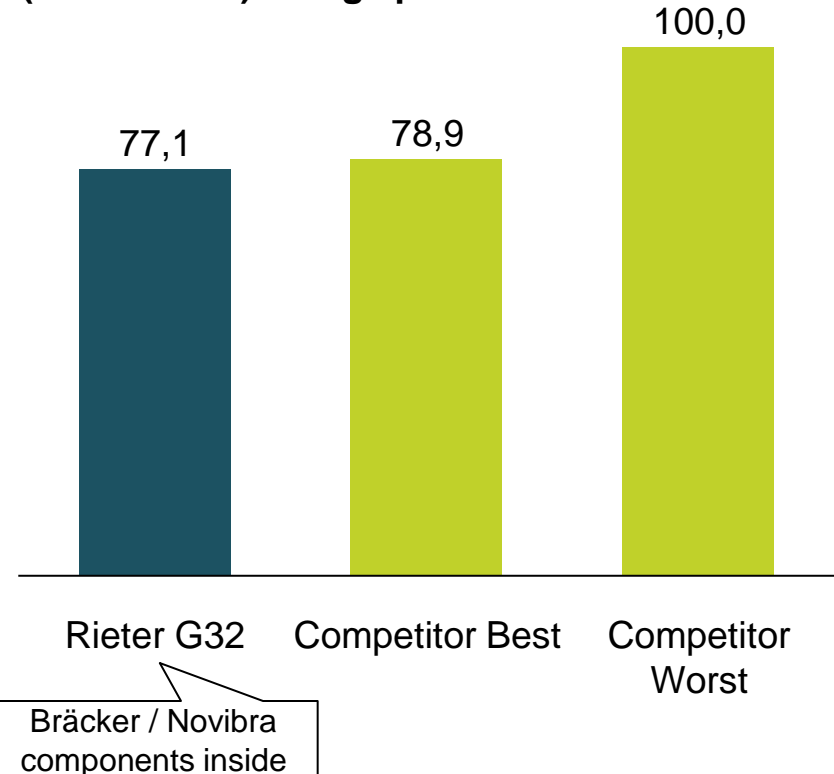


Energy efficiency especially important in end spinning with Rieter in the lead

Energy cost per process step (in %)



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



Technology leadership – innovation example

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

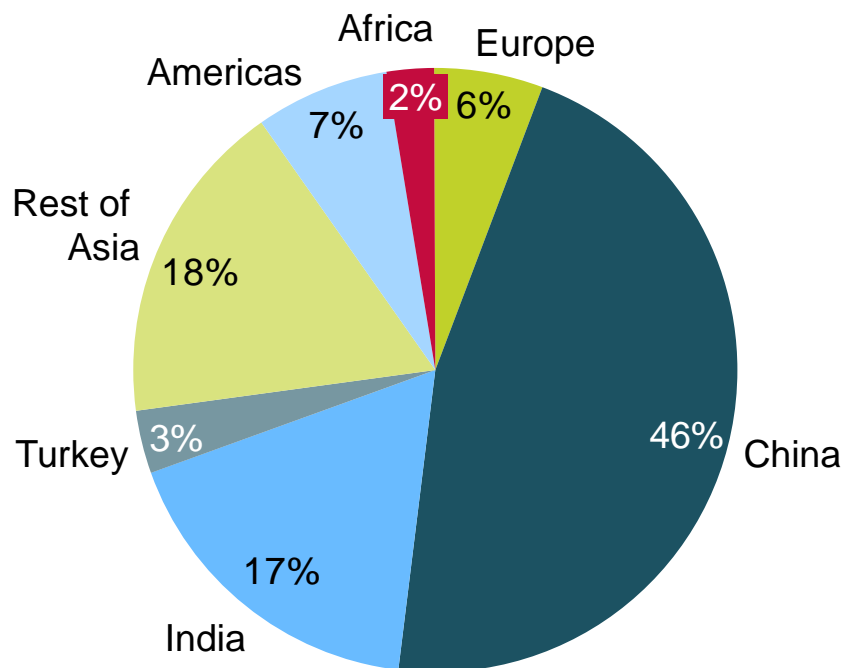
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Expansion in Asia: Potential in China and India



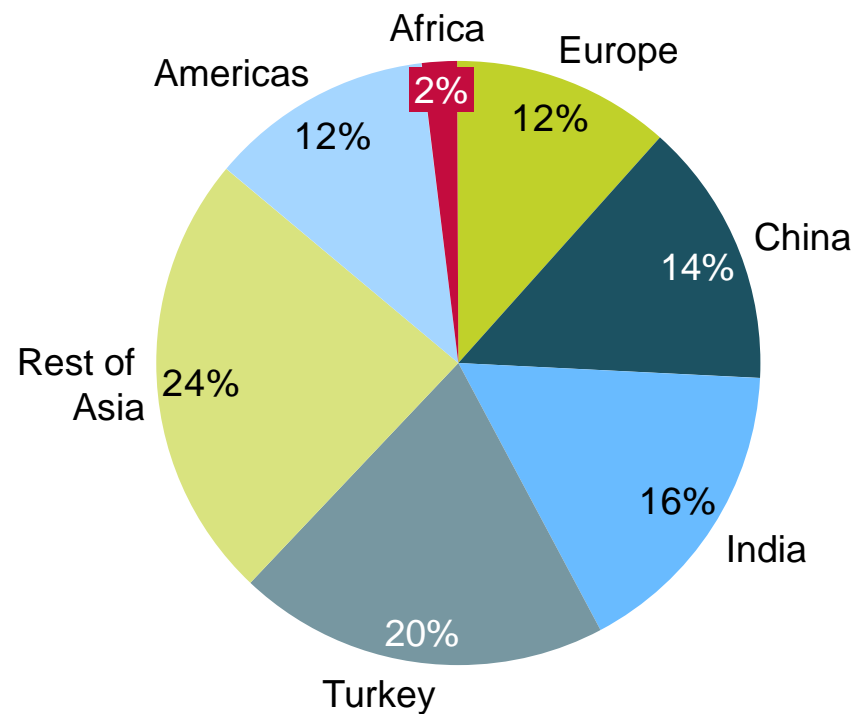
Significant potential to increase market position in China

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

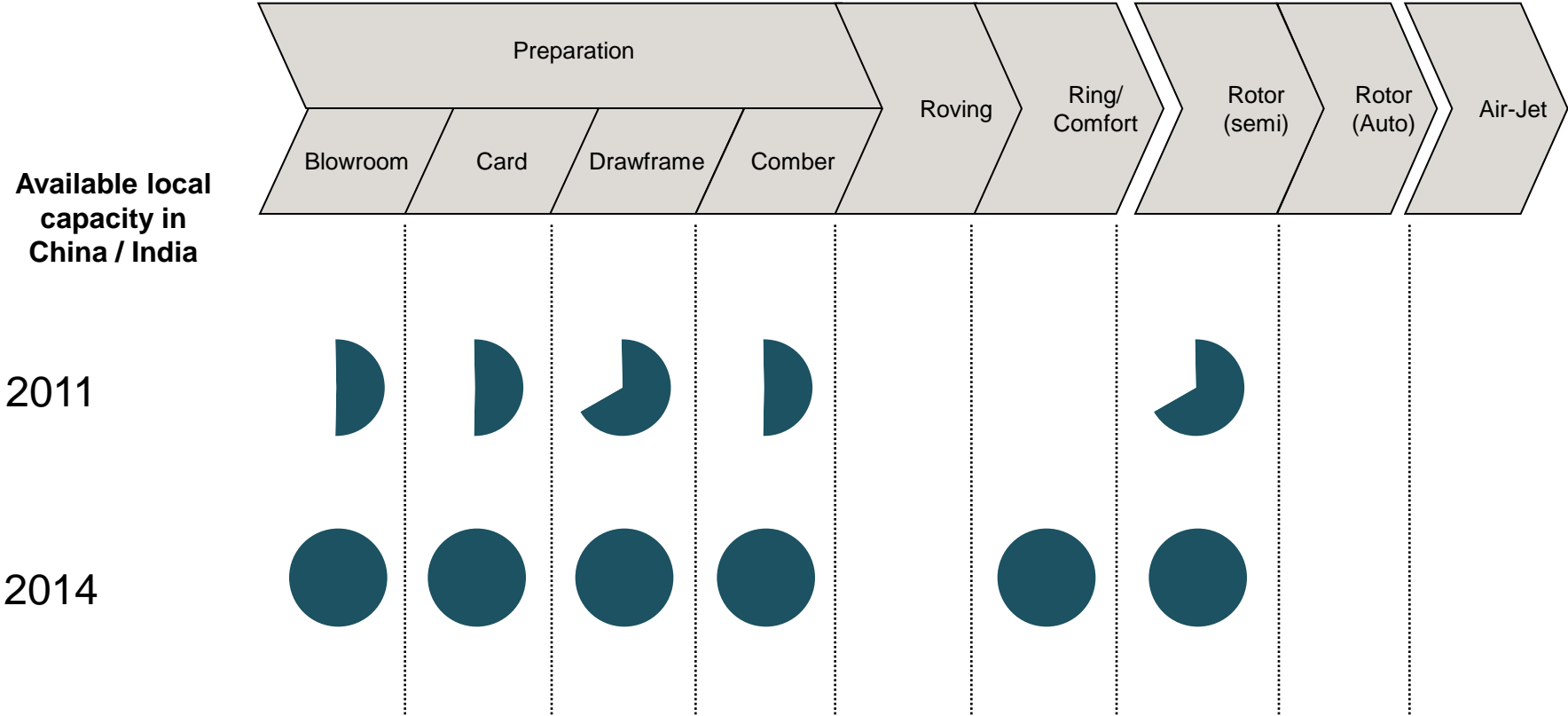


	Rieter G32	Local competitor	%
Energy consumption (kWh/kg)	98%	100%	-2
Average spindle speed (Ne 32)	110%	100%	+10
Labour requirement (FTE for ring spin)	88%	100%	-12
Total production (per day in kg)	131%	100%	+31
Utilization (per day)	107%	100%	+7
Fibre yield (in percent of input)	104%	100%	+4

Expansion in Asia: Addressing growth potential



Increase in locally available product portfolio to address growth potential



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

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

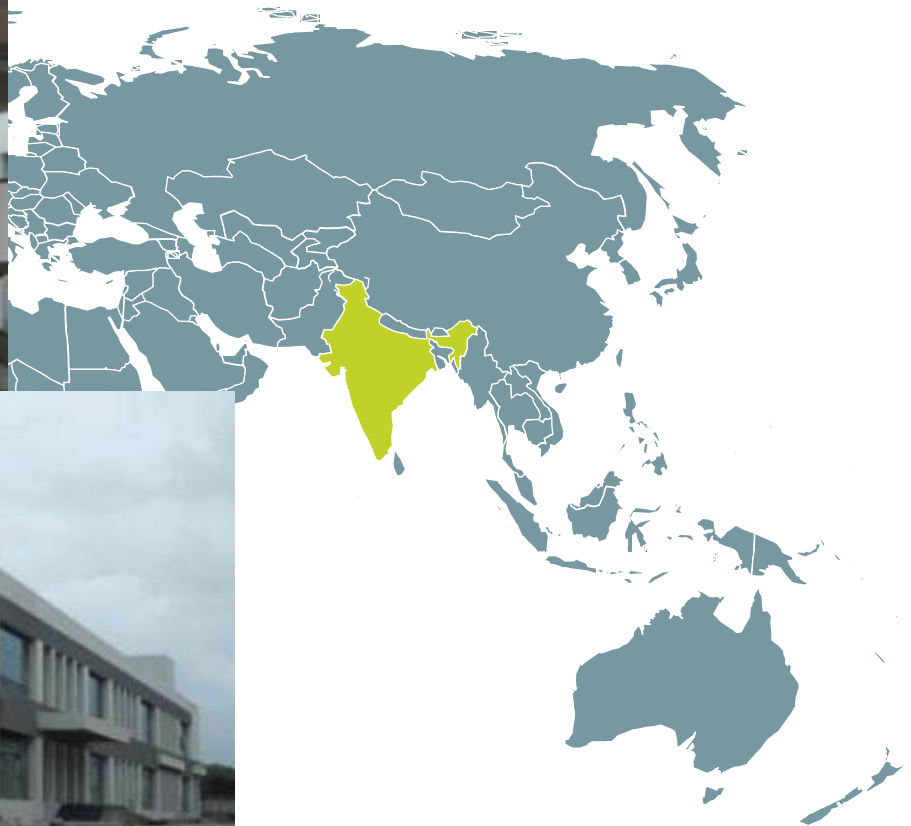


Wing already operational, capacity ramp-up ongoing in Koregaon Bhima

Wing (Pune)



Koregaon Bhima (Pune)



Process improvements – Examples

Standardisation of processes and value chain improvements

China



India



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Rieter – Financial highlights HY1 2012



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

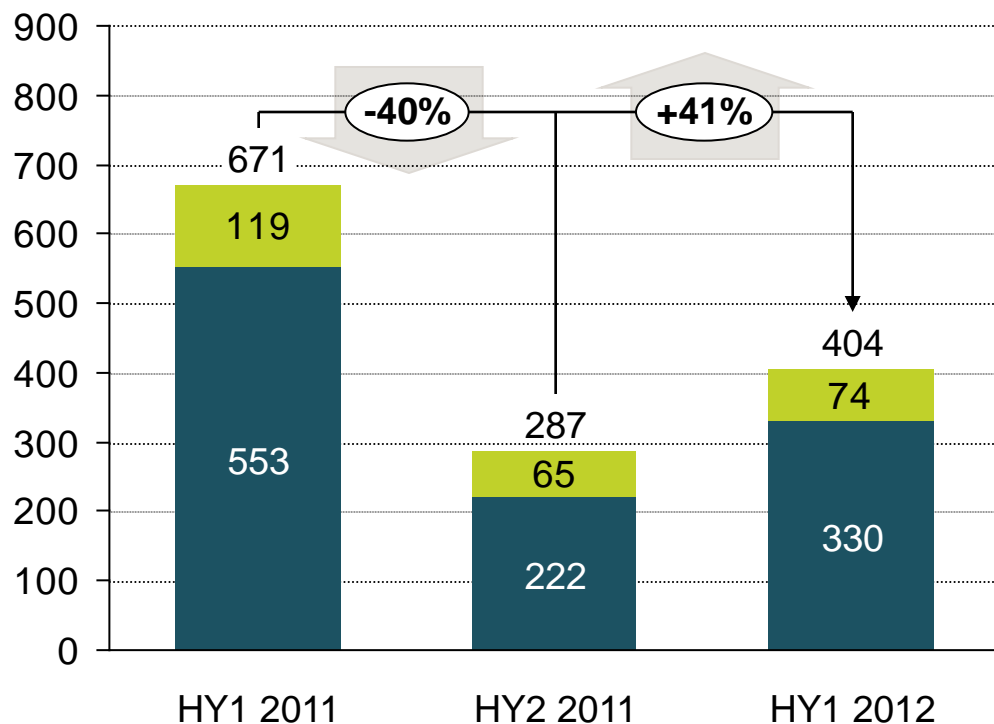
(2) Includes strategic project costs (HY1 2012: 12.5 million CHF, HY2 2011: 14.8 million CHF, HY1 2011: 7.1 million CHF); HY1 2012 includes disposal gain from Czech production facilities of 6.0 million CHF

(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

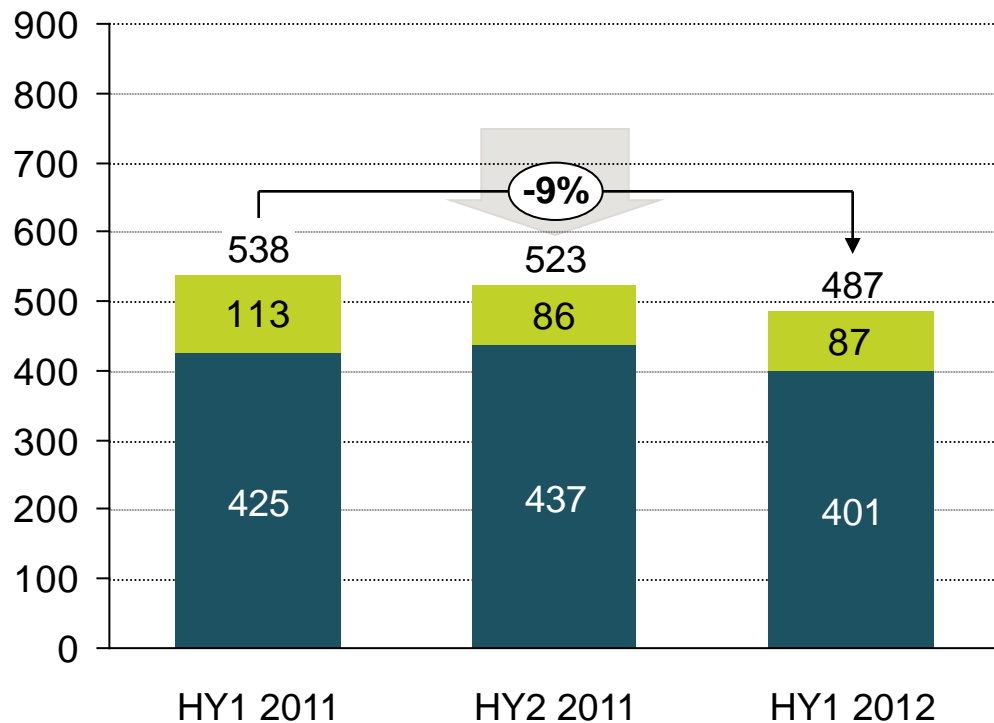
- Order intake 40% lower compared to HY1 2011
- Against HY2 2011 orders increased 41% driven by SYS (+48%) and PTC (+14%)
- Order intake in China in HY1 2012 exceeded HY1 2011
- Orders were widely spread, led by dominating countries China and Turkey. Demand from India was very weak
- Solid order backlog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



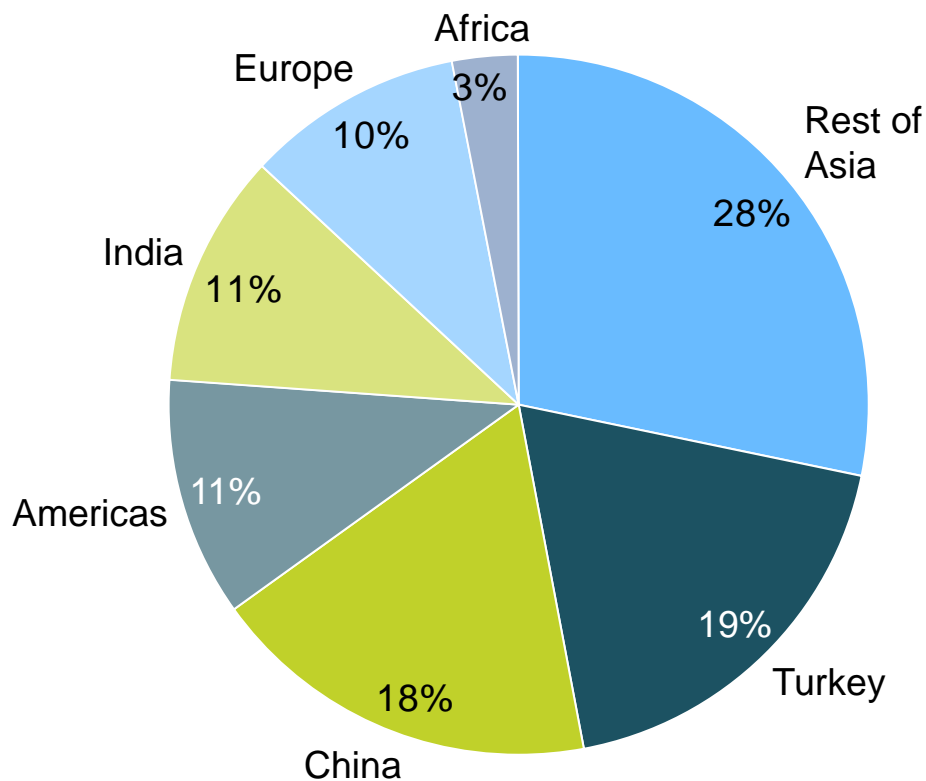
Premium Textile Components Spun Yarn Systems

- 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 %

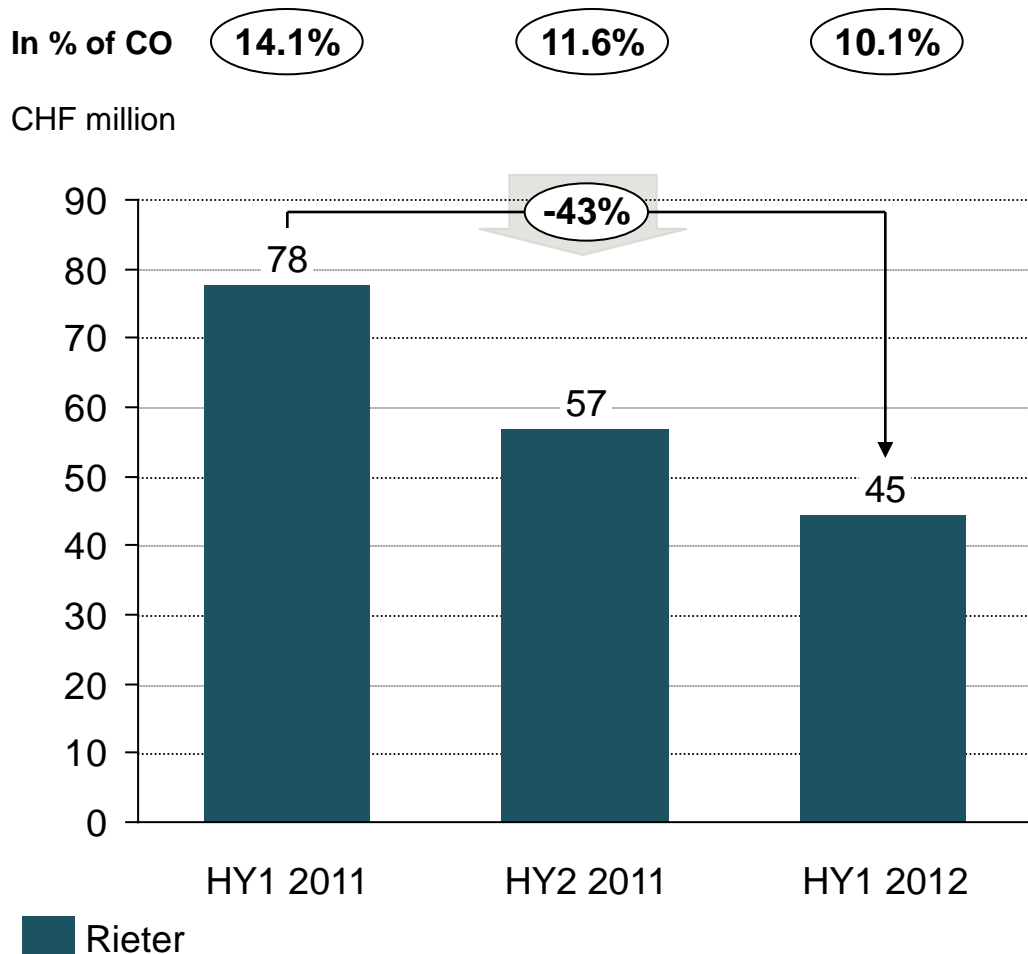


- Rest of Asia grew 13% mainly in South Korea, Bangladesh, Indonesia and Pakistan
- Sales in Turkey decreased by 6%
- Sales growth in China continued also in HY1 2012 with +17% against HY1 2011
- Sales in North and South America decreased by 8%
- Sales in India decreased substantially by 54%
- European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

Operating result (EBIT) before strategic projects



EBIT margin before strategic projects at 10.1% of corporate output

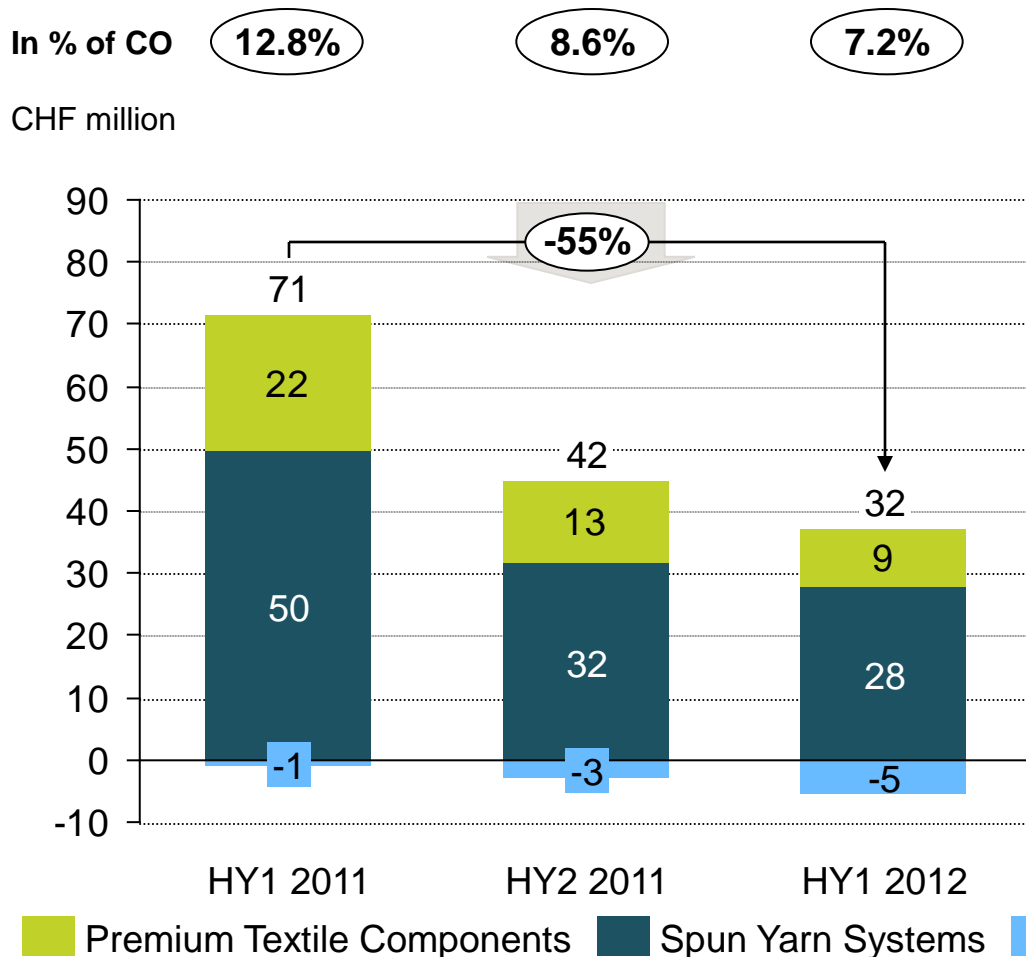


- Both Business Group's profitability decrease were impacted by
 - volume decrease,
 - significantly lower sales in India,
 - Increased pricing pressure on Swiss Franc denominated sales
- Disposal gain of 6.0 million CHF from sale of Czech production facilities in HY1 2012
- R&D expenses held at 20.9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

Operating result (EBIT) by Business Group



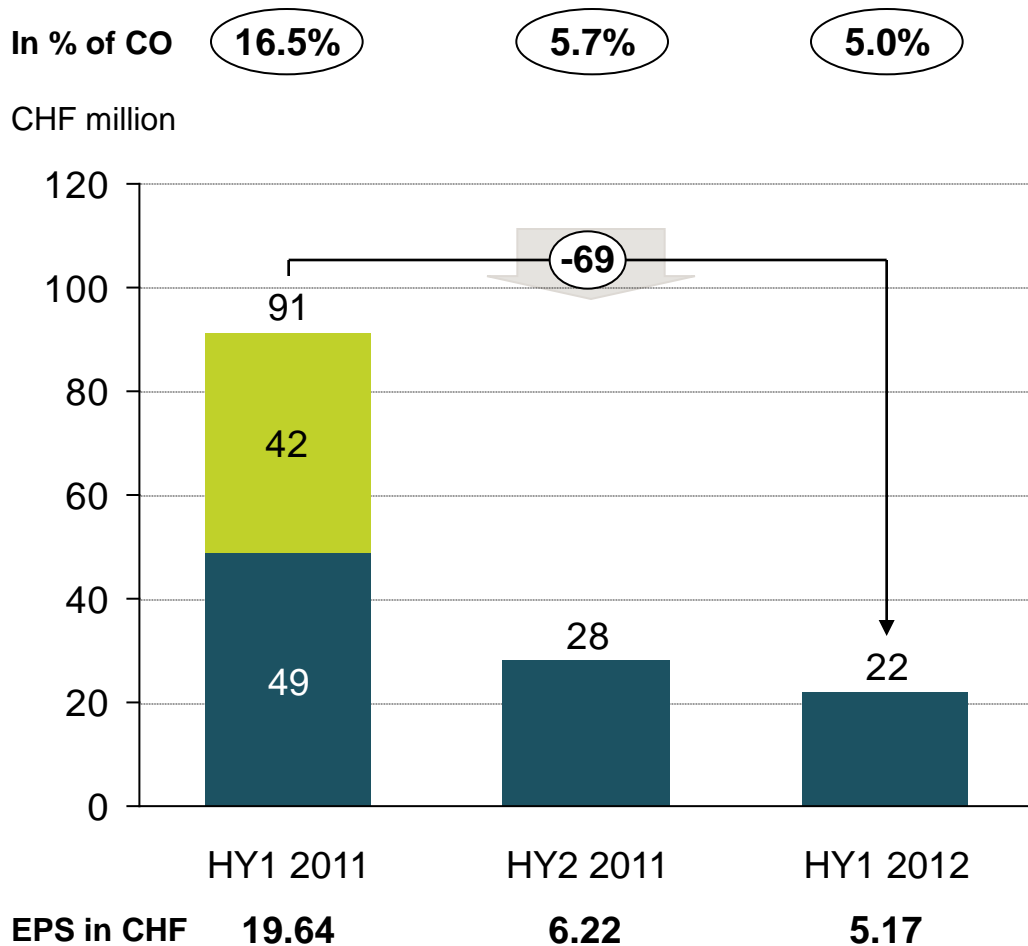
Volume decrease and investment program costs lead to lower EBIT margin



- 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

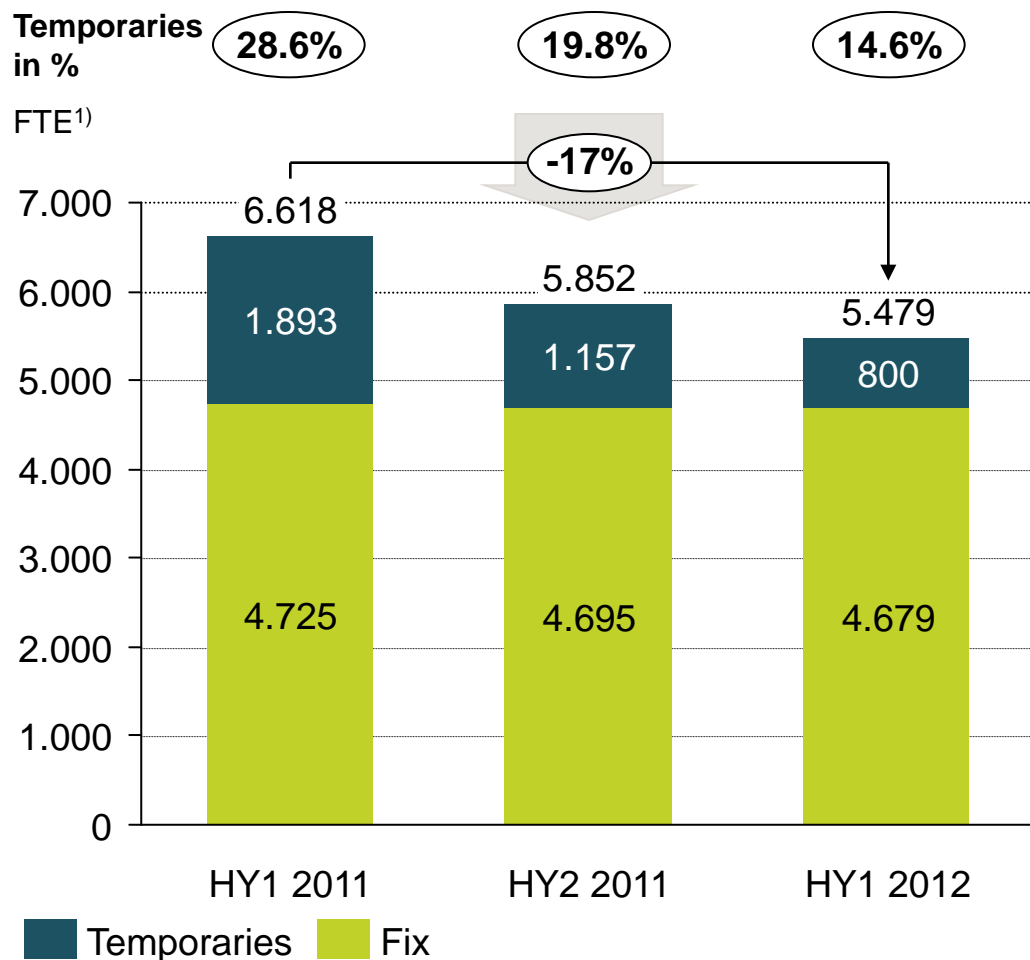
Net profit margin at 5.0% of corporate output



- 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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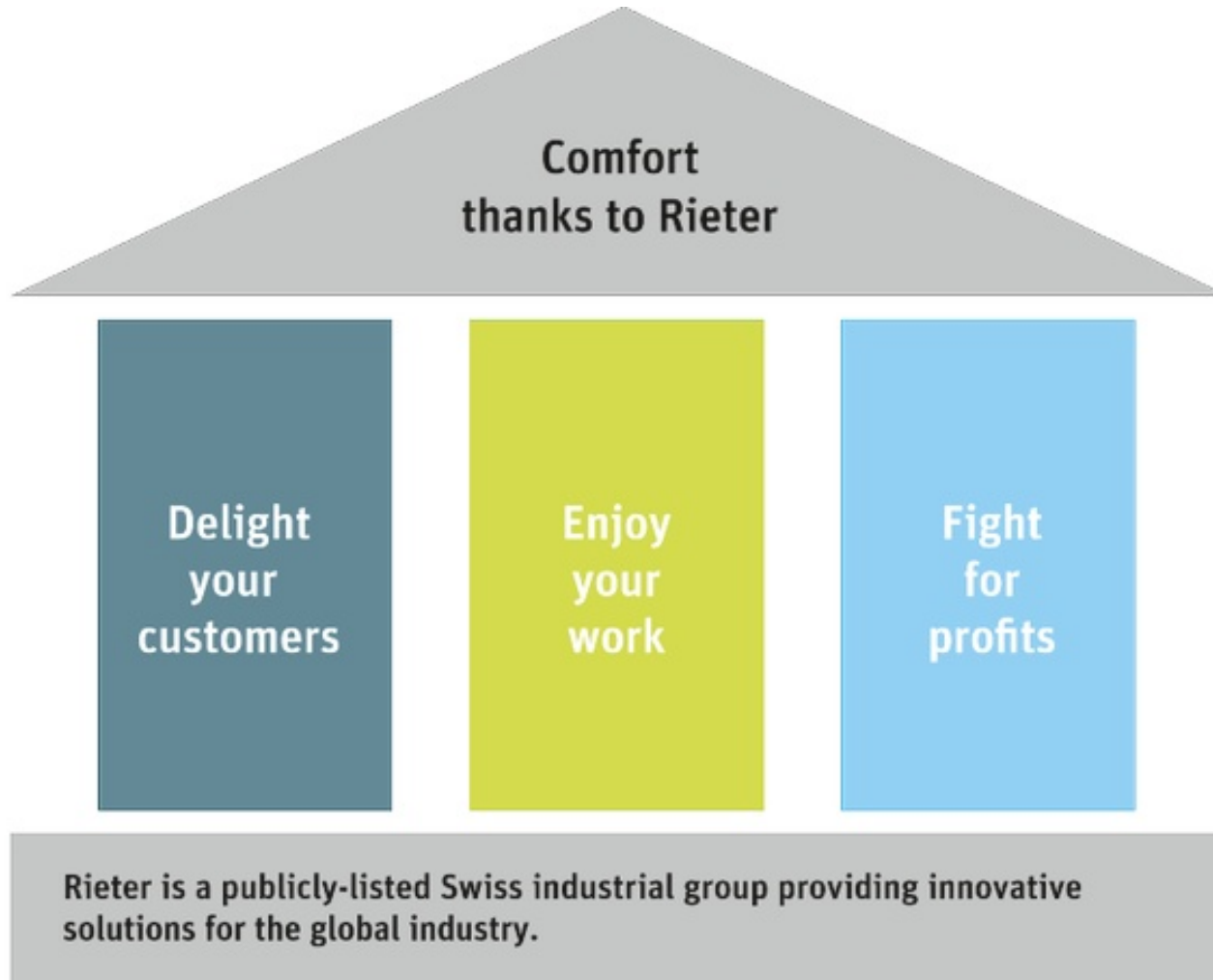
Challenging market environment with slight pick-up in northern India

- 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.

- 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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Cycle management: Employees

Adjustment to volume swings and increase in China and India

Distribution of employees (FTE)

