

Media release

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Rieter exploits market recovery thanks to strong positioning

***Winterthur* – Market recovery continues from the second half of 2012, above all in Turkey – substantial rise in order intake thanks to strong positioning and attractive product offering – significantly higher sales than in 2nd half of 2012 – EBIT and operating margin as expected – further progress with investment program 2012/2013**

In steadily improving market conditions Rieter achieved an order intake in the first half of 2013 of 711.4 million CHF (1st half of 2012: 404.1 million CHF). Particularly in Turkey, demand was much greater than in the prior year. Sales of 478.1 million CHF were significantly higher (+19%) than in the previous six months but slightly lower (-2%) than in the first half of 2012. Operating result before interest and taxes (EBIT) and operating margin developed according to expectations during the period under review. EBIT amounted to 17.1 million CHF, equivalent to 3.6% of sales (1st half of 2012: 31.5 million CHF or 6.5% of sales). The lower EBIT than in prior year is largely attributable to smaller profit margins on orders closed the year before. There were no non-recurring divestment gains as in the prior year period. Rieter closed the first half of 2013 with a net profit of 5.0 million CHF or 1.0% of sales (1st half of 2012: 21.5 million CHF or 4.4% of sales). In the period under review Rieter completed major steps in the growth investment program 2012/2013 announced in spring 2012.

Recovery of the global market for short-staple fiber machinery and components in the second half of 2012 has continued in 2013. This positive trend applied to all the geographical markets of relevance for Rieter, to different degrees but particularly in Turkey, supported by a government subsidy program that benefited spinning mills. High demand was also recorded in various Asian countries. Business in India and China showed a slight upturn in the first half of 2013, but the financing situation for Rieter customers in these countries remains challenging. Spinning mill capacities in the USA were renewed thanks to a favorable cost structure in this sector.

Rieter was able to make the most of this overall improvement in market conditions thanks to an attractive product offering and strong market positioning worldwide. Order intake during the period under review totaled 711.4 million CHF, 76% and 63% higher than in the first and second half of 2012 respectively. This was mostly attribut-

able to orders received by Rieter in Turkey. Rieter was able to increase order intake in China with market-specific products, while in India there was above all a good demand for components. Overall order backlog per June 30, 2013 totaled around 780 million CHF.

The gratifying demand for Rieter products confirms the soundness of its innovation and expansion strategy. Thanks to its market-specific product program, Rieter holds a strong position worldwide in the cyclical market for textile machinery and components. Spinning mill customers in all main markets increasingly prefer highly automated machinery and components that enable greater productivity and better yarn quality with lower energy consumption.

Rieter sales for the first half of 2013 totaled 478.1 million CHF, 2% less than in the prior year period (487.3 million CHF) but 19% higher than in the second half of 2012. Sales were attributable to various countries, with business activities broadly based regionally.

Operating result before interest and taxes (EBIT) totaled 17.1 million CHF, equivalent to 3.6% of sales. This decline of EBIT and operating margin compared with the prior year period (1st half of 2012: 31.5 million CHF or 6.5% of sales) was expected, primarily because of lower margins on orders closed in 2012, the slightly lower volumes and also non-recurrence of the 6.0 million CHF gains in the first half of 2012 from disposal of production plants in the Czech Republic. Furthermore, EBIT for the period under review is reduced by 10.4 million CHF outlay for the 2012/2013 investment program. Operating result before strategic projects totaled 27.5 million CHF, equivalent to 5.8% of sales.

Rieter's capital expenditures in the first half of 2013 amounted to 26.5 million CHF, occurring mainly in China and India, of which 21.2 million CHF for strategic projects. Rieter increased expenditure on research and development in the period under review to 22.1 million CHF, equivalent to 4.6% of sales (1st half of 2012: 20.9 million CHF or 4.3% of sales).

Net profit for the first half of 2013 totaled 5.0 million CHF, equivalent to 1.0% of sales (1st half of 2012: 21.5 million CHF or 4.4% of sales).

The Rieter global workforce per June 30, 2013 totaled 4 646 employees (December 31, 2012: 4 720 employees). Rieter mastered workloads due to substantially higher sales compared with the second half of 2012 by more efficient utilization of capacities and with higher productivity.

Ongoing high investments and demand-driven increase in net working capital resulted in a free cash flow of -12.1 million CHF. After a dividend payment of 11.6 million CHF (2.50 CHF per share) out of the reserves from capital contributions in April 2013, cash and cash equivalents per June 30, 2013 totaled 315.4 million CHF and net liquidity 63.2 million CHF. Rieter is on a sound financial footing with an equity ratio of 34%.

Spun Yarn Systems Business Group

The Spun Yarn Systems Business Group (machinery business) recorded a marked increase of order intake in the first half of 2013 to 621.9 million CHF, 88% higher than the prior year period and 70% more than in the second half of 2012. Spun Yarn Systems sales totaled 392.5 million CHF, 2% less than in the first half of 2012. Operating result before interest and taxes (EBIT) totaled 13.3 million CHF, equivalent to an operating margin of 3.4% of sales (1st half of 2012: 27.9 million CHF or 7.0% of sales, including gain on manufacturing capacity disposal in the Czech Republic). The lower profitability is attributable to smaller volumes and to a product mix with less profitable margins on machine sales. Furthermore, strategic project costs were largely charged to Spun Yarn Systems. Business Group EBIT excluding strategic project costs totaled 23.1 million CHF, resulting in 5.9% operating margin.

The "Watt d'Or" Energy Prize award at the beginning of 2013 by the Swiss Federal Office for Energy in the Export category gratifyingly confirms Rieter's strong innovative drive.

Premium Textile Components Business Group

Order intake by the Premium Textile Components Business Group in the first half of 2013 rose 21% to 89.5 million CHF (1st half of 2012: 74.1 million CHF). This growth is attributable to both customer segments of this business group: spinning mills and machine manufacturers. Market demand in China recovered above all from machine manufacturers, while in India the main demand was from spinning mills. Business in Turkey continued to develop positively. Third-party sales by Premium Textile Components totaled 85.6 million CHF in the period under review, and segment sales (i.e. including deliveries to Spun Yarn Systems) totaled 125.7 million CHF. There was a slight decline of 1% in third-party sales compared with the prior year period (1st half of 2012: 86.7 million CHF), but already a 15% increase over the second half of 2012 (74.2 million CHF). Premium Textile Components profited from the high flexibility of its business units. Operating result before interest and taxes (EBIT) totaled 9.6 million CHF or 7.6% of segment sales (1st half of 2012: 9.3 million CHF or 7.9% of segment sales). Profitability declined mainly because of the lower volumes and due to costs for strategic projects.

Progress in the investment program 2012/2013

Most of the investment program projects for 2012/2013 (see box on page 5) are on track as per June 30, 2013. Rieter made the following progress during the first half of 2013:

Expansion in Asia: Capacity expansions in the two key markets of China and India will be concluded by the end of 2013. Intermediate targets for the extensive expansion of production capacities at Rieter's Changzhou plant in China had been reached as per June 30, 2013. The new plant in Koregaon Bhima, India, is now finished and operational.

Innovation: Rieter worked intensively on innovations during the period under review, with the goals of further improving yarn properties and enabling spinning mill customers to increase their productivity and energy efficiency. With the airjet spinning machine, the focus is on further market introduction.

Process improvements: The projects for global standardization of work processes made good progress particularly with regards to manufacturing, but the global standardization and IT support of business processes has been delayed by about six months.

Focus on sustainable profitability improvement

Rieter continues to focus on lowering the break-even threshold, and in this connection is continuing with the workforce adjustments announced in spring 2013. At the same time, Rieter also seeks to improve profit margins by reducing production costs, through optimal allocation of capacities and price discipline.

Outlook

Rieter's business activities are broadly based globally. At the present time it is still difficult to forecast the development of demand for textile machinery and components in 2013. Demand depends among other factors on yarn and raw material price developments, currency exchange rates, financing costs, and consumer sentiment worldwide.

Based on the current order backlog – already reaching into 2014 – full year sales for 2013 are expected to show high single digit growth compared to 2012. Against 2012 levels before disposal gains, operating result (EBIT) is expected to profit from volume growth. This includes strategic project costs of about 20 to 25 million CHF for the 2012/2013 investment program.

Investment program 2012/2013 for further growth

Rieter expects global demand for short staple fibers (natural fibers / staple man-made fibers) to grow by an average of 2.3% annually until 2030. The additional spinning capacity this will require, the replacement demand and the trend toward greater automation, especially in the Chinese and Indian markets, will have a positive impact on demand for high-quality spinning machinery and components.

Against this background Rieter is aiming for overall annual average growth of 5%, half of which should be organic. Rieter's strategic targets are to retain its leadership in the premium segment and also to expand its position in the local markets in China and India.

In the implementation of these goals, Rieter is focusing on

Expansion in Asia: Further expansion of capacity in China and India;

Innovation: Increased focus on air-jet spinning, improvement of yarn quality, productivity and energy efficiency of machinery and components;

Process improvements: Operational excellence, global standardization and IT support of business processes.

In order to achieve rapid expansion in Asia, to drive product innovation, and to optimize global processes, Rieter is planning investments totaling some 140 million CHF in 2012 and 2013.

As of mid 2013, 72.8 million CHF have been invested in total. Another 35.7 million CHF were charged to EBIT as strategic project costs. These investments are in addition to regular maintenance expenditures. Rieter is seeking with the investment program to achieve an EBIT margin of at least 9% average over the demand cycle, and greater than 12% in peak years.

Semi-annual report and telephone conference

You will find the full text of the semi-annual report and the media release at www.rieter.com (<http://www.rieter.com/en/rieter/media/press-releases/>).

You can also register at www.rieter.com to receive our media releases regularly by e-mail.

Today Rieter will hold an investor and analyst conference call on the occasion of the publication of the Semi-Annual Results 2013 at 2 pm CET. More details and the corresponding presentation can be found on our website.

Future dates

- Publication of sales figures for the 2013 financial year: February 4, 2014
- Results media conference and presentation for financial analysts on the 2013 annual financial statements: March 18, 2014
- Annual General Meeting: April 9, 2014

For further details please refer to:

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About Rieter

Rieter, with registered offices in Winterthur, Switzerland, is a global market leader in spinning machinery and components, with the broadest offering worldwide. The company develops and manufactures machinery, components and systems for manufacturing yarns from natural and man-made fibers and combinations of the same. Rieter is the world's only supplier of products and know-how covering not only pre-spinning processes but also all four final spinning processes established on the market. The company has 18 production plants in 10 countries and employs some 4700 people worldwide, of whom about 26% in Switzerland. Rieter is listed on the SIX Swiss Exchange (ticker symbol RIEN).

www.rieter.com

Rieter at a glance

CHF million	January- June 2013	July- December 2012 ¹	January- June 2012 ¹	Change ²	Change in local currencies ²
Rieter					
Orders received	711.4	435.6	404.1	76%	75%
Sales	478.1	401.2	487.3	-2%	-2%
Operating result before strategic projects, interest and taxes	27.5	14.0	44.0		
- in % of sales	5.8%	3.5%	9.0%		
Operating result before interest and taxes (EBIT)	17.1	1.2	31.5		
- in % of sales	3.6%	0.3%	6.5%		
Net profit ³	5.0	4.2	21.5		
- in % of sales	1.0%	1.0%	4.4%		
Earnings per share	CHF 1.51	1.15	5.09		
Capital expenditures on tangible and intangible assets	26.5	57.3	24.3	9%	
Number of employees (excluding temporary personnel)	4646	4720	4679	-1%	
Business Group Spun Yarn Systems					
Orders received	621.9	365.0	330.0	88%	88%
Sales	392.5	327.0	400.6	-2%	-2%
Operating result before interest and taxes (EBIT)	13.3	2.6	27.9		
- in % of sales	3.4%	0.8%	7.0%		
Business Group Premium Textile Components					
Orders received	89.5	70.6	74.1	21%	20%
Sales	85.6	74.2	86.7	-1%	-2%
Total segment sales	125.7	114.9	117.4		
Operating result before interest and taxes (EBIT)	9.6	6.7	9.3		
- in % of segment sales	7.6%	5.8%	7.9%		

1. Restated

2. Change January-June 2013 vs. January-June 2012

3. Incl. gain on sale of investments of 0.3 million CHF (July-December 2012: 13.2 million CHF; January-June 2012: 4.4 million CHF)