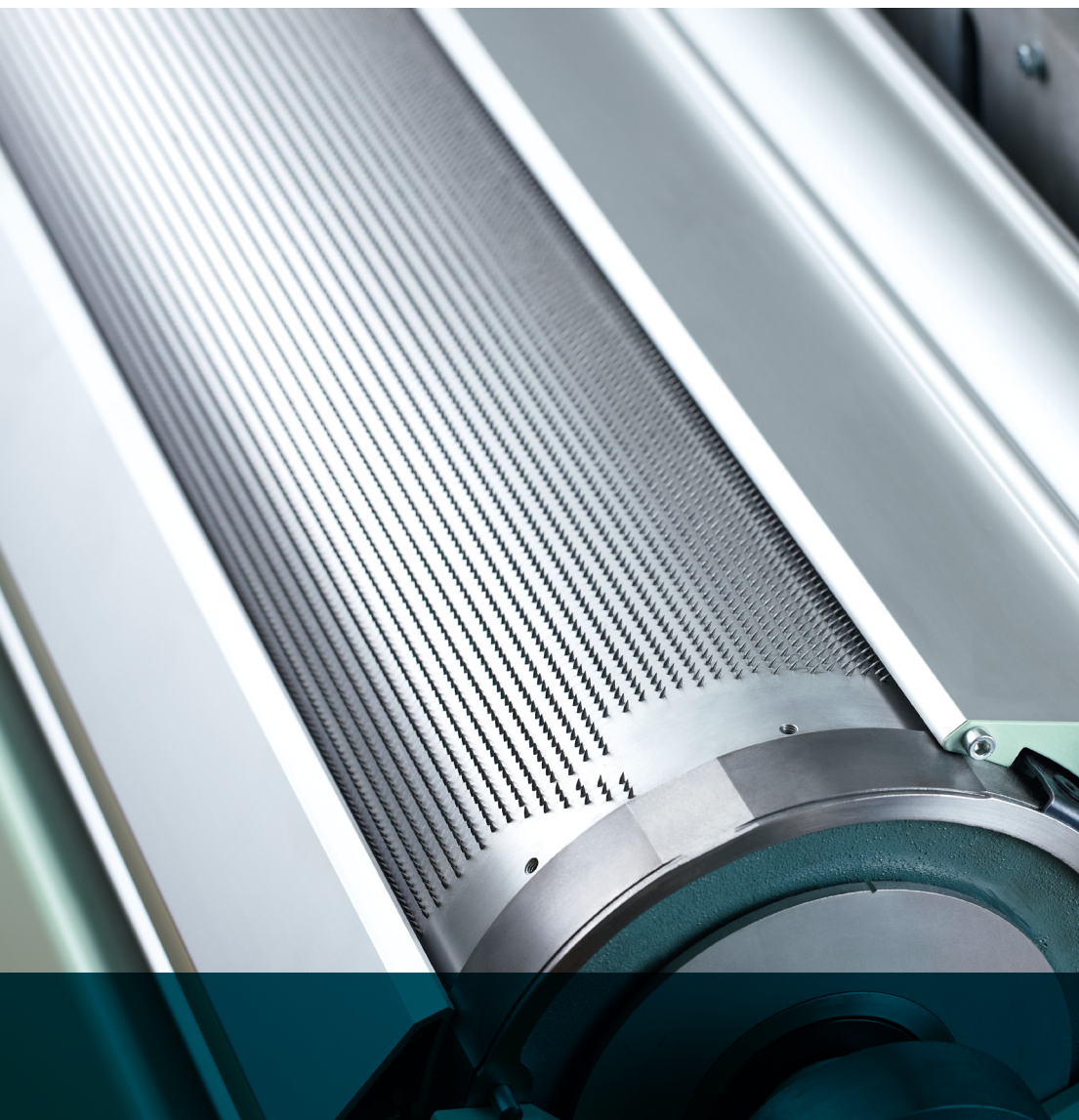
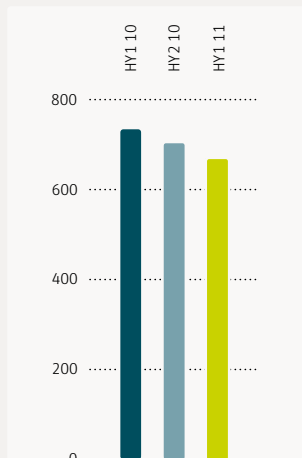


**RIETER**

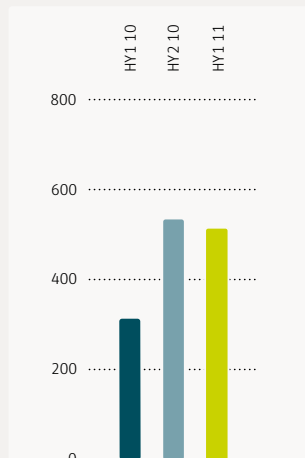
# Semi-Annual Report 2011

## Rieter at a glance

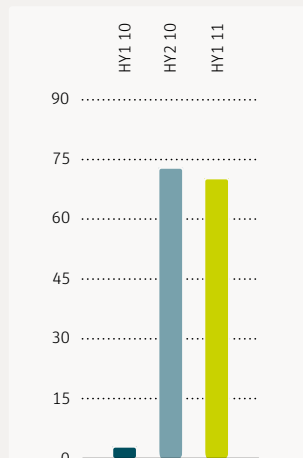
**Orders received**  
in CHF million



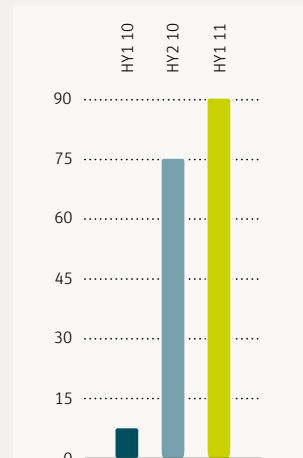
**Sales**  
in CHF million



**EBIT**  
in CHF million



**Net result**  
in CHF million



CHF million	January – June 2011	January – June 2010	Change	Change in local currencies
<b>Rieter</b>				
Orders received	671.3	738.6	– 9%	– 5%
Sales	537.8	324.6	66%	73%
Corporate output	551.9	332.6	66%	
Operating result before interest and taxes (EBIT)	70.6	2.0		
• in % of corporate output	12.8%	0.6%		
Net result <sup>1</sup>	91.0	7.5		
• in % of corporate output	16.5%	2.3%		
Earnings per share <sup>1</sup>	CHF 19.64	1.53		
Capital expenditures on tangible and intangible assets	14.4	3.9	269%	
Number of employees at the end of the period (excluding temporary personnel)	4 725	4 064	16%	
<b>Business Group Spun Yarn Systems</b>				
Orders received	552.7	625.1	– 12%	– 8%
Sales	425.1	226.5	88%	95%
Corporate output	449.4	242.0	86%	
Operating result before interest and taxes (EBIT)	49.6	– 13.4		
• in % of corporate output	11.0%	– 5.5%		
<b>Business Group Premium Textile Components</b>				
Orders received	118.6	112.0	6%	13%
Sales	112.7	93.1	21%	29%
Corporate output	150.2	107.4	40%	
Operating result before interest and taxes (EBIT)	21.9	9.4		
• in % of corporate output	14.6%	8.8%		

1. From continuing operations (incl. gain from sale of investment in Lakshmi Machine Works Ltd. of 42.3 million CHF after taxes).

## Pleasing trend of business at Rieter

**Order intake at a high level — striking increase in sales, operating result and net profit**

The Rieter Group embarked on a historic change of course in the spring of 2011. Shareholders approved a proposal by the Board of Directors to separate the group and for its two divisions, engaged in the textile machinery and the automotive components supply business respectively, to continue in operation as independent, separately listed companies. Following the completion of this separation, Rieter has become an industrially focused supplier of machinery and components for short staple fiber spinning mills. It pursues the operating business of the former Rieter Textile Systems Division through two Business Groups, Spun Yarn Systems (machinery) and Premium Textile Components (components). With the publication of figures for the first half of 2011, Rieter is reporting for the first time in the context of this new structure.

Rieter recorded a pleasing trend of business in the first half of 2011, continuing the positive development reported in 2010. New orders received were again at a high level, totaling 671.3 million CHF; this represented a decline of 9% compared to the exceptionally high figure in the same period of the previous year, but is still above the long-term average. Sales increased by 66% to 537.8 million CHF. Expressed in local currencies the increase amounted to 73%. Rieter posted a disproportionately strong rise in the operating result before interest and taxes, which increased from 2.0 million CHF in the first half of 2010 to 70.6 million CHF. This corresponds to an operating margin of 12.8% of corporate output. Net profit also developed positively, rising from 7.5 million CHF to 91.0 million CHF, boosted by a net capital gain of 42.3 million CHF. Excluding capital gains, it amounted to 8.8% of corporate output. In the period under review Rieter intensified capital expenditure in the major Asian growth markets and pressed on with the development of products adapted to local needs in emerging markets.

### Dear shareholder

The markets for textile machinery and components continued to develop apace in the first half of 2011, especially in the first quarter. They leveled off slightly in the second quarter; expectations of a further decline in the price of cotton and consequently in yarn increased the pressure on spinning mills' margins and liquidity. In this market environment Rieter's intake of new orders remained at a high level due to its market-oriented products, totaling 671.3 million CHF in the first six months of 2011. This corresponds to a slight decrease of 9% compared to the exceptionally high level recorded in the same period of the previous year (738.6 million CHF). There was strong demand from customers for products of both Rieter's business groups, Spun Yarn Systems and Premium Textile Components. Demand was also broad-based in regional terms. Rieter recorded the largest volume of orders in the Indian, Turkish and Chinese markets. High levels of orders were also secured in other Asian countries such as South Korea, Indonesia and Pakistan. Spinning mills in the USA, Brazil and Egypt also invested in staple fiber machinery and components from Rieter.

The high level of orders already in hand at the beginning of the year continued to grow on the back of healthy order intake in the first six months of 2011. This meant that Rieter's production capacity was utilized to the limit, resulting in long delivery times in some cases. Sales of 537.8 million CHF were 66% higher than in the same period of the previous year. Corporate output also increased by 66% to 559.1 million CHF. Exchange rates – especially the strength of the Swiss franc – had a negative impact on new orders received by Rieter and on sales revenues to the tune of –4 and –7 percentage points, respectively, in the first half of 2011.

High capacity utilization and attractive products generating good margins resulted in a disproportionate increase in profitability relative to sales. Rieter posted an operating result before interest and taxes (EBIT) of 70.6 million CHF in the first half of 2011 (2.0 million CHF in the first half of 2010). This is equivalent to 12.8% of corporate output.

There was also a striking increase in net profit, which amounted to 91.0 million CHF (7.5 million CHF in the first half of 2010).

Both the higher operating result and a net capital gain of 42.3 million CHF realized in the period under review contributed to this positive outcome. The capital gain arose from the reduction in the equity stake that Rieter holds in Lakshmi Machine Works Ltd. in India. Rieter announced this transaction on April 1, 2011. Excluding capital gains, net profit corresponded to 8.8% of corporate output. The financial result (–4.9 million CHF) consists mainly of interest paid on the bond issue.

As of June 30, 2011, Rieter employed a workforce of 4 725, compared with 4 064 on the same date in the previous year. The increase in personnel numbers was due largely to the expansion of facilities in the growth markets of India and China. Rieter also increased the number of temporary employees in order to satisfy the large volume of orders.

#### **Separation of the Rieter Group completed**

The separation of the Rieter Group into two independent companies focusing on the textile machinery and automotive components supply business respectively, which was announced on March 22, 2011, and approved by the Annual General Meeting held on April 13, has been completed as planned. The automotive component supply business has been listed as Autoneum Holding AG on the SIX Swiss Exchange since May 13, 2011. The former Rieter Automotive Systems Division features in this report as “discontinued operations” and appears as a separate item in the income statement. The impact arising from revaluations are included in this result and are non-recurring.

The focus on the textile machinery business enables Rieter to position itself more clearly and operate with greater strategic flexibility. Reporting in the context of the two segments – Spun Yarn Systems and Premium Textile Components – creates greater transparency and visibility for shareholders.

#### **Sound balance sheet**

Even after the spin-off of the Automotive Systems business as an independent company through the distribution of a special dividend, Rieter has a sound balance sheet with shareholders’ equity of 360.4 million CHF and an equity ratio of 32%. Rieter generated free cash flow of 63.3 million CHF despite a volume-related increase in net working capital and higher capital expenditure. Cash and cash equivalents of 417.9 million CHF

and net liquidity of 149.8 million CHF continue to ensure strategic flexibility and the long-term financing of corporate development. The 250 million CHF fixed-rate bond which bondholders decided to leave in place on May 10, 2011, also contributes to this.

With its sound balance sheet Rieter is well placed to achieve further development of the business through internal and external growth.

#### **Spun Yarn Systems Business Group**

Through its Spun Yarn Systems Business Group, Rieter is the only supplier worldwide covering the spinning preparation processes and all four final spinning processes established on the market with its machinery and systems.

Spun Yarn Systems received new orders to the value of 552.7 million CHF in the period under review. This figure was 12% lower than a year earlier, but was still at an above-average level (625.1 million CHF in the first half of 2010). Demand for market-specific products developed by Rieter to meet the needs of the major Asian markets was an important factor here. Rieter competed successfully with local manufacturers, in particular with its G 32 ring spinning machine, R 923 semi-automatic rotor spinning machine and RSB-D 22 drawframe. Sales of 425.1 million CHF by Spun Yarn Systems were 88% above the figure recorded in the same period of the previous year (226.5 million CHF in the first half of 2010). While the business group posted an operating loss of 13.4 million CHF in the first half of 2010, the operating result before interest and taxes in the period under review rose to 49.6 million CHF. This is equivalent to 11.0% of corporate output (–5.5% in the first half of 2010). The positive trend in the operating margin was largely due to good capacity utilization and the ongoing improvement in product manufacturing costs.

#### **Premium Textile Components Business Group**

Through its Premium Textile Components Business Group, Rieter is one of the world’s largest suppliers of components for short staple spinning mills. Premium Textile Components supplies technology components both to spinning mills and to various machine manufacturers. This business is less exposed than the machinery business to the fluctuation in market cycles that are characteristic of the industry.



New orders received by Premium Textile Components increased by 6% to 118.6 million CHF in the first six months of 2011 (112.0 million CHF in the first half of 2010). Growing demand for high-quality yarns had a positive impact on sales of Premium Textile Components' products. The business group's sales revenues increased by 21% to 112.7 million CHF in the period under review (93.1 million CHF in the first half of 2010). Due largely to good capacity utilization, but also to further improvements in manufacturing processes, Premium Textile Components posted a disproportionately strong rise in the operating result before interest and taxes. This amounted to 21.9 million CHF (9.4 million CHF in the first half of 2010), corresponding to an operating margin of 14.6% of corporate output (9.4 million CHF or 8.8% in the first half of 2010).

#### Investment in the long-term development of the business

Both of Rieter's business groups, Spun Yarn Systems and Premium Textile Components, worked intensively on innovations in the period under review. The goals of these efforts include facilitating the creation of novel types of yarn, achieving further improvements in the price/performance ratio of the products and thus meeting the needs of customers in the growth markets even more effectively. Both business groups will exhibit innovations in their product portfolios at the ITMA 2011 in Barcelona in September.

Rieter has also continued to expand its facilities in the major markets of India and China. Capital expenditure in the first half of 2011 totaled 14.4 million CHF, compared to 3.9 million CHF in the same period of the previous year. Rieter also launched projects to improve processes aimed at more efficient global networking of the business.

#### Outlook

Rieter expects the decrease in order intake to continue in the second half of the year compared to the first six months. Order intake for 2011 as a whole is unlikely to equal the previous year's extraordinarily high total. Rieter foresees pressure on customers' margins and liquidity persisting in the second half of 2011. It is currently difficult to forecast whether the factors that are impacting the markets are short-lived or will continue for a prolonged period. Further developments depend on various factors, which include exchange rate developments, consumer sentiment in Europe and North America, growth in fiber consumption in Asia and raw material prices.

The high level of orders in hand secures capacity utilization and sales revenues in the current financial year and well into the coming year. Rieter will continue to pursue the expansion of facilities in Asia, product developments and process improvements in the second half of 2011. Rieter expects a substantial increase in sales compared with the previous year and double-digit operating margins for the year as a whole.

Winterthur, July 27, 2011

Erwin Stoller



Chairman  
of the Board of Directors

This E. Schneider



Vice-Chairman  
of the Board of Directors

## Consolidated income statement

	Notes	January – June 2011		January – June 2010		January – December 2010	
		CHF million	% *	CHF million	% *	CHF million	% *
<b>Sales</b>	(3)	<b>537.8</b>		<b>324.6</b>		<b>870.4</b>	
Sales deductions		– 32.0		– 20.7		– 58.3	
<b>Net sales</b>		<b>505.8</b>		<b>303.9</b>		<b>812.1</b>	
Change in semi-finished and finished goods		45.5		28.4		27.7	
Own work capitalized		0.6		0.3		1.6	
<b>Corporate output</b>		<b>551.9</b>	<b>100.0</b>	<b>332.6</b>	<b>100.0</b>	<b>841.4</b>	<b>100.0</b>
Material costs		– 257.1	– 46.6	– 149.2	– 44.9	– 384.4	– 45.7
Employee costs		– 155.7	– 28.2	– 130.2	– 39.1	– 275.8	– 32.8
Other operating expenses		– 65.2	– 11.8	– 47.7	– 14.3	– 96.9	– 11.5
Other operating income		13.9	2.5	16.7	5.0	31.3	3.7
Depreciation and amortization		– 17.2	– 3.1	– 20.2	– 6.1	– 39.9	– 4.7
<b>Operating result before interest and taxes (EBIT)</b>		<b>70.6</b>	<b>12.8</b>	<b>2.0</b>	<b>0.6</b>	<b>75.7</b>	<b>9.0</b>
Gain from sale of investment	(4)	45.3		0.0		0.0	
Financial result		– 4.9		6.1		14.7	
<b>Result before taxes</b>		<b>111.0</b>	<b>20.1</b>	<b>8.1</b>	<b>2.4</b>	<b>90.4</b>	<b>10.7</b>
Income taxes		– 20.0		– 0.6		– 7.5	
<b>Net result <sup>1</sup></b>		<b>91.0</b>	<b>16.5</b>	<b>7.5</b>	<b>2.3</b>	<b>82.9</b>	<b>9.9</b>
Net result from discontinued operations	(6)	151.0		– 22.8		– 41.3	
<b>Net result (incl. discontinued operations)</b>		<b>242.0</b>		<b>– 15.3</b>		<b>41.6</b>	
Attributable to shareholders of Rieter Holding Ltd.		238.4		– 22.9		26.5	
Attributable to non-controlling interests		3.6		7.6		15.1	
<b>Earnings per share <sup>1</sup></b>	CHF	<b>19.64</b>		<b>1.53</b>		<b>17.81</b>	
Earnings per share from discontinued operations	CHF	31.94		– 6.47		– 12.09	
Total earnings per share	CHF	51.58		– 4.94		5.72	
Total diluted earnings per share	CHF	51.58		– 4.94		5.71	

\* In % of corporate output

1. From continuing operations.

## Consolidated statement of comprehensive income

CHF million	Notes	January – June 2011	January – June 2010	January – December 2010
<b>Net result (incl. discontinued operations)</b>		<b>242.0</b>	<b>– 15.3</b>	<b>41.6</b>
Currency effects		– 31.3	– 6.8	– 62.3
Financial instruments available for sale:				
Change in fair value		– 10.8	11.1	15.0
Income taxes		7.5	– 4.4	– 5.9
Realized results through income statement		– 45.3	0.0	0.0
Realized income taxes through income statement		11.9	0.0	0.0
Transfer of currency effects to income statement	(6)	91.7	0.0	0.0
<b>Total other comprehensive income</b>		<b>23.7</b>	<b>– 0.1</b>	<b>– 53.2</b>
<b>Total comprehensive income</b>		<b>265.7</b>	<b>– 15.4</b>	<b>– 11.6</b>
Attributable to shareholders of Rieter Holding Ltd.		256.4	– 26.0	– 20.5
Attributable to non-controlling interests		9.3	10.6	8.9

## Consolidated balance sheet

CHF million	Notes	June 30, 2011	June 30, 2010	December 31, 2010
<b>Assets</b>				
Tangible fixed assets		203.4	637.2	606.1
Intangible assets		12.9	18.9	15.2
Other non-current assets, deferred tax assets		84.9	177.2	180.9
<b>Non-current assets</b>		<b>301.2</b>	<b>833.3</b>	<b>802.2</b>
Inventories		251.0	308.8	328.4
Trade receivables		90.4	360.7	381.5
Other receivables		48.6	92.4	98.0
Assets of disposal groups	(4)	15.8	0.0	0.0
Marketable securities and time deposits		10.6	12.2	7.1
Cash and cash equivalents		417.9	331.2	351.9
<b>Current assets</b>		<b>834.3</b>	<b>1 105.3</b>	<b>1 166.9</b>
<b>Assets</b>		<b>1 135.5</b>	<b>1 938.6</b>	<b>1 969.1</b>
<b>Shareholders' equity and liabilities</b>				
Share capital		23.4	23.4	23.4
Share premium account (capital reserve)		27.5	27.5	27.5
Group reserves		295.2	509.3	506.0
<b>Equity attributable to shareholders of Rieter Holding Ltd.</b>		<b>346.1</b>	<b>560.2</b>	<b>556.9</b>
Equity attributable to non-controlling interests		14.3	72.4	70.7
<b>Total shareholders' equity</b>		<b>360.4</b>	<b>632.6</b>	<b>627.6</b>
Long-term financial debt	(5)	272.7	289.7	296.3
Provisions, other non-current liabilities		156.2	252.0	260.8
<b>Non-current liabilities</b>		<b>428.9</b>	<b>541.7</b>	<b>557.1</b>
Trade payables		74.2	241.0	315.8
Advance payments by customers		83.7	101.9	110.9
Short-term financial debt		6.0	71.7	66.2
Provisions, other current liabilities		175.5	349.7	291.5
Liabilities of disposal groups	(4)	6.8	0.0	0.0
<b>Current liabilities</b>		<b>346.2</b>	<b>764.3</b>	<b>784.4</b>
<b>Liabilities</b>		<b>775.1</b>	<b>1 306.0</b>	<b>1 341.5</b>
<b>Shareholders' equity and liabilities</b>		<b>1 135.5</b>	<b>1 938.6</b>	<b>1 969.1</b>

## Changes in consolidated equity

CHF million	Notes	January – June 2011	January – June 2010	January – December 2010
<b>Total shareholders' equity at end of previous period</b>		<b>627.6</b>	<b>655.8</b>	<b>655.8</b>
Total comprehensive income		265.7	-15.4	-11.6
Distribution of shares of Autoneum Holding Ltd. as special dividend:				
Fair value of distributed assets	(6)	-486.9	0.0	0.0
Derecognition of non-controlling interests	(6)	-45.9	0.0	0.0
Special dividend on own shares		5.2	0.0	0.0
Dividends to non-controlling interests		-8.5	-6.8	-6.8
Share-based compensation		0.1	0.7	0.7
Change in holdings of own shares		3.1	-1.7	-10.5
<b>Total shareholders' equity at end of reporting period</b>		<b>360.4</b>	<b>632.6</b>	<b>627.6</b>

## Consolidated statement of cash flows

CHF million	January – June 2011	January – June 2010	January – December 2010
<b>Net result <sup>1</sup></b>	<b>91.0</b>	<b>7.5</b>	<b>82.9</b>
Interest income/ interest expenses	4.3	- 5.0	- 10.8
Income taxes	20.0	0.6	7.5
Depreciation and amortization	17.2	20.2	39.9
Other non-cash income and expenses	- 44.1	- 3.2	- 5.5
Change in net working capital, other	- 30.6	- 17.6	- 33.4
Dividends received	0.0	0.0	0.8
Interest received/ interest paid	- 8.2	10.3	23.8
Taxes paid	- 16.2	- 0.2	- 6.0
<b>Net cash flows from operating activities <sup>1</sup></b>	<b>33.4</b>	<b>12.6</b>	<b>99.2</b>
Net cash flow from operating activities of discontinued operations	- 70.3	- 12.4	6.9
<b>Total net cash from operating activities (incl. discontinued operations)</b>	<b>- 36.9</b>	<b>0.2</b>	<b>106.1</b>
Capital expenditures/ disposals tangible and intangible assets	- 12.2	- 2.5	- 25.8
Proceeds from sale of investment (after taxes)	42.3	0.0	0.0
Investments/ disposals other non-current assets	- 0.2	1.6	0.5
Change in holdings of marketable securities and time deposits	0.0	3.9	5.6
Divestments of businesses	0.0	- 0.8	- 0.8
<b>Net cash from investing activities <sup>1</sup></b>	<b>29.9</b>	<b>2.2</b>	<b>- 20.5</b>
Net cash from investing activities of discontinued operations	- 20.6	- 23.2	- 72.0
<b>Total net cash from investing activities (incl. discontinued operations)</b>	<b>9.3</b>	<b>- 21.0</b>	<b>- 92.5</b>
Sale/ purchase of own shares	3.2	- 1.0	- 9.8
Proceeds/ repayments from/ of short-term financial debt	1.3	- 6.8	1.7
Proceeds from long-term financial debt	0.0	247.2	252.5
Repayments of long-term financial debt	- 1.6	- 101.6	- 104.2
<b>Net cash from financing activities <sup>1</sup></b>	<b>2.9</b>	<b>137.8</b>	<b>140.2</b>
Net cash from financing activities of discontinued operations	3.5	- 4.8	- 10.9
Repayment of Group liabilities by Autoneum	193.1	0.0	0.0
Cash balance of Autoneum at date of distribution as special dividend	- 100.3	0.0	0.0
<b>Total net cash from financing activities (incl. discontinued operations)</b>	<b>99.2</b>	<b>133.0</b>	<b>129.3</b>
Currency effects	- 5.6	1.3	- 8.7
<b>Change in cash and cash equivalents</b>	<b>66.0</b>	<b>113.5</b>	<b>134.2</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>351.9</b>	<b>217.7</b>	<b>217.7</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>417.9</b>	<b>331.2</b>	<b>351.9</b>

1. From continuing operations.



## Notes to the semi-annual financial statements

### 1 Principles of consolidation and accounting policies

The consolidated semi-annual financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They are based on the financial statements of the individual group companies drawn up according to uniform accounting policies as of June 30, 2011. The principles of consolidation and accounting principles set forth in the 2010 annual report have been amended in 2011 by the new and revised IFRS standards and interpretations. The adoption of new or amended regulations had no material impact on the consolidated financial statements. The semi-annual report has not been audited by the statutory auditor. The consolidated income statement, balance sheet, statement of cash flows and changes in consolidated equity are presented in condensed form.

### 2 Segment information

The Company now comprises two Business Groups: Spun Yarn Systems develops and manufactures machinery and systems for processing natural and man-made fibers and their blends into yarns. Premium Textile Components supplies technology components and service offerings to spinning mills and also to machinery manufacturers.

CHF million	Spun Yarn Systems	Premium Textile Components	Total reportable segments
<b>January – June 2011</b>			
Sales to third parties	425.1	112.7	537.8
Inter-segment sales	0.0	31.3	31.3
Net sales to third parties	403.6	102.2	505.8
Corporate output	449.4	150.2	599.6
Operating result before interest and taxes (EBIT)	49.6	21.9	71.5
Net operating assets June 30, 2011	143.7	103.9	247.6
Capital expenditures on tangible and intangible assets	11.9	2.5	14.4
Depreciation and amortization	9.0	8.1	17.1
Number of employees June 30, 2011	3 702	1 001	4 703
<b>January – June 2010</b>			
Sales to third parties	226.5	93.1	319.6
Inter-segment sales	0.0	15.1	15.1
Net sales to third parties	213.8	85.5	299.3
Corporate output	242.0	107.4	349.4
Operating result before interest and taxes (EBIT)	-13.4	9.4	-4.0
Net operating assets June 30, 2010	96.1	111.9	208.0
Capital expenditures on tangible and intangible assets	2.4	1.4	3.8
Depreciation and amortization	10.4	9.7	20.1
Number of employees June 30, 2010	3 128	897	4 025
<b>January – December 2010</b>			
Sales to third parties	674.0	190.6	864.6
Inter-segment sales	0.0	47.2	47.2
Net sales to third parties	632.4	174.0	806.4
Corporate output	669.4	237.2	906.6
Operating result before interest and taxes (EBIT)	42.4	29.6	72.0
Net operating assets December 31, 2010	122.9	104.1	227.0
Capital expenditures on tangible and intangible assets	21.3	4.5	25.8
Depreciation and amortization	21.0	18.7	39.7
Number of employees December 31, 2010	3 434	924	4 358

### Reconciliation of segment results

CHF million	January – June 2011	January – June 2010	January – December 2010
Operating result before interest and taxes (EBIT) of reportable segments	71.5	– 4.0	72.0
Non-reportable segments (non-wovens)	0.0	5.2	5.2
Cost allocation discontinued operations	3.4	5.8	8.7
Other units (Rieter Holding Ltd., central units)	– 4.3	– 5.0	– 10.2
<b>Operating result before interest and taxes (EBIT)</b>	<b>70.6</b>	<b>2.0</b>	<b>75.7</b>
Gain on sale of investment	45.3	0.0	0.0
Financial result	– 4.9	6.1	14.7
<b>Result before taxes</b>	<b>111.0</b>	<b>8.1</b>	<b>90.4</b>

### 3 Sales by location of customers

CHF million	January – June 2011	January – June 2010	January – December 2010
Europe	65.9	57.4	119.1
Asia (incl. Turkey)	406.8	211.2	595.1
North America	21.4	21.4	53.3
Latin America	37.7	27.8	74.5
Africa	6.0	6.8	28.4
<b>Total</b>	<b>537.8</b>	<b>324.6</b>	<b>870.4</b>

### 4 Assets and liabilities of disposal groups and gain from sale of investment

On April 1, 2011 Rieter signed a contract for selling all its shares in Rieter-LMW Machinery Ltd., India, which is part of segment Spun Yarn Systems. The closing of the transaction is expected to take place in August 2011. In accordance with IFRS 5 the impacted assets and liabilities were classified as a disposal group in the balance sheet as of June 30, 2011. During the first quarter 2011 Rieter also participated in the share buy-back program initiated by Lakshmi Machine Works Ltd. and reduced its shareholding in Lakshmi from 13% to less than 5% realizing a pre-tax gain of 45.3 million CHF (42.3 million CHF after taxes).

### 5 Long-term financial debt

On May 10, 2011 the bondholders' meeting, which was held in connection with the distribution of a special dividend, resolved that the outstanding CHF 250 million 4.5% bonds 2010–2015 will be upheld in full.

### 6 Discontinued operations Automotive Systems

On April 13, 2011 the Annual General Meeting of shareholders of Rieter Holding Ltd. approved the proposal by the Board of Directors to split the Rieter Group and to operate Rieter's Textile Systems and Automotive Systems divisions as separate listed companies. In order to effect this separation the shares in Autoneum Holding Ltd. were distributed to the shareholders of Rieter Holding Ltd. as a special dividend on May 12, 2011. Autoneum Holding Ltd. is the parent company of all legal entities belonging to the former Rieter Automotive Systems segment.

In accordance with the applicable IFRS rules the liability to distribute the special dividend was recognized at the fair value of the assets to be distributed. The fair value was measured based on the valuation of the business at the time of the Annual General Meeting on April 13, 2011 of 486.9 million CHF. This valuation was subject to reasonableness tests based on the market capitalization of Autoneum Holding Ltd. on the SIX Swiss Exchange between May 13 and June 30, 2011. The difference between the carrying value of the dividend payable and the carrying value of the net assets of the discontinued segment Automotive Systems was recognized in the income statement as a gain of 251.9 million CHF.

Details of the net results of the discontinued segment Automotive Systems were as follows:

CHF million	January 1 – May 12, 2011	January 1 – June 30, 2010	January 1 – December 31, 2010
Sales	658.9	876.7	1 715.4
Expenses	- 652.8	- 887.5	- 1 739.0
<b>Result before taxes</b>	<b>6.1</b>	<b>- 10.8</b>	<b>- 23.6</b>
Income taxes	- 5.4	- 12.0	- 17.7
<b>Result after taxes</b>	<b>0.7</b>	<b>- 22.8</b>	<b>- 41.3</b>
Attributable to shareholders of Rieter Holding Ltd.	- 2.7	- 30.0	- 56.1
Attributable to non-controlling interests	3.4	7.2	14.8
Gain from difference between carrying values of dividend liability and net assets	251.9	0.0	0.0
Reclassification of other components of comprehensive income to the income statement	- 91.7	0.0	0.0
Transaction costs	- 9.9	0.0	0.0
<b>Total net result from discontinued operations</b>	<b>151.0</b>	<b>- 22.8</b>	<b>- 41.3</b>

At the date of the distribution of the special dividend the balance sheet of the discontinued segment Automotive Systems was as follows:

CHF million	May 12, 2011
Non-current assets	425.3
Current assets (without cash and cash equivalents)	536.9
Cash and cash equivalents	100.3
<b>Total assets</b>	<b>1 062.5</b>
Equity attributable to shareholders of Rieter Holding Ltd.	235.0
Equity attributable to non-controlling interests	45.9
<b>Total shareholders' equity</b>	<b>280.9</b>
Liabilities	781.6
<b>Total shareholders' equity and liabilities</b>	<b>1 062.5</b>

## 7 Average exchange rates for foreign currency translation

	January – June 2011	January – June 2010	Change	January – December 2010
1 EUR	1.27	1.44	- 12%	1.38
1 USD	0.90	1.08	- 16%	1.04
100 CZK	5.22	5.58	- 6%	5.46
100 INR	2.01	2.37	- 15%	2.28
100 CNY	13.84	15.87	- 13%	15.40

## 8 Events after balance sheet date; financial calendar

The semi-annual report for 2011 was approved for publication by the Board of Directors on July 25, 2011.

No events have occurred up to July 26, 2011, which would necessitate adjustments to the semi-annual report.

Publication of sales figures for the 2011 financial year

February 2, 2012

Result press conference and presentation of the 2011 financial statements

March 20, 2012

Annual General Meeting

April 18, 2012



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