

Media release

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Pleasing trend of business at Rieter

- **Order intake at high level**
- **66% increase in sales**
- **Increase in operating result (EBIT) to 70.6 million CHF or 12.8% of corporate output**
- **Sound balance sheet ensures basis for further development of the business**
- **Separation of the Rieter Group successfully completed as of May 13**
- **Reporting in the context of the Spun Yarn Systems and Premium Textile Components segments creates greater transparency and visibility**
- **Expectations for 2011 as a whole: substantial increase in sales compared with the previous year and double-digit operating margins**
- **High level of orders in hand secures capacity utilization until well into the 2012 financial year**

Winterthur - 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.

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

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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

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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

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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 (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.

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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.

Semi-annual report and telephone conference

You will find the full text of the semiannual report and the relevant presentation at www.rieter.com. You can also register at www.rieter.com to receive our media releases regularly by e-mail.

Future dates

- Publication of sales figures for the 2011 financial year: February 2, 2012
- Results media conference and presentation for financial analysts on the 2011 annual financial statements: March 20, 2012
- Annual General Meeting: April 18, 2012

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 9 countries and employs some 4700 people worldwide, of whom about 26% in Switzerland. Rieter is listed on the SIX Swiss Exchange (ticker symbol RIEN).

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Rieter at a glance

CHF million	January - June 2011	January - June 2010	Change	Change in local currencies
Rieter				
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 ¹	91.0	7.5		
· in % of corporate output	16.5%	2.3%		
Earnings per share ¹	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	4064	16%	
Business Group Spun Yarn Systems				
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%		
Business Group Premium Textile Components				
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).