

## Media Release

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### **2010 financial year: striking increase in volumes and return to profit**

- **Sales up 32%**
- **Orders received increased by 64%**
- **Operating result rose to 98 million CHF (EBIT margin of 3.9%)**
- **Distribution of a special dividend (see separate Press Release)**
- **Change in the Group Executive Committee**

The Rieter Group reported a striking improvement in all key statistics for the 2010 financial year and returned to profit earlier than originally forecast. Following two years of adverse economic conditions, in the second half of 2009 signs of recovery emerged in both industrial sectors in which Rieter operates. The favorable market trend in the textile machinery and automotive component supply businesses then continued throughout the year under review. This was driven mainly by improved consumer sentiment in Europe and North America as well as sustained economic growth in large Asian markets.

As a leading supplier to the textile and automotive industries, Rieter participated in the upswing by virtue of attractive products which had been systematically prepared for market launch during the years of crisis. The Rieter Group recorded a striking increase in orders received and sales in the year under review. Both divisions reported positive operating results, and the group posted a profit.

#### **Striking increase in orders received and sales**

New orders received by the Rieter Group in the 2010 financial year were 64% higher (68% higher in local currencies) at 3 170.0 million CHF (1 935.1 million CHF in 2009). The trend in order intake was dynamic throughout the year. The steep rise compared with the previous year was due primarily to extremely strong demand at Textile Systems. The 32% increase (+ 36% in local currencies) in sales by the Rieter Group was less than the growth in orders received due to the low order volume in the previous year. Sales in the second half were slightly higher than in the first six months and totaled 2 585.8 million CHF (1 956.3 million CHF in 2009). Exchange rate trends adversely affected both key statistics, especially in the second half. Based on exchange rates prevailing in 2007, consolidated sales would currently already be 2.9 billion CHF again.

As a result of higher volumes and also due to cost-cutting efforts and restructuring projects, Rieter reported a disproportionately strong increase in profits. Rieter has many years of experience in dealing with pronounced demand cycles and proven know-how in repeatedly adjusting development, sales and manufacturing structures to new requirements. In combination with its strong market position, its sound financial basis and the confidence of its investors, this significantly contributed to the group's ability to cope successfully with the severe crisis in 2008 and 2009.

**Disproportionate increase in the operating result**

The Rieter Group posted an operating result before interest and taxes (EBIT) of 98.0 million CHF in 2010. This is equivalent to 3.9% of corporate output. The Textile Systems Division made the largest contribution to this by virtue of volume. In the previous year the Rieter Group had reported a negative operating result of – 186.6 million CHF. The substantial improvement was due largely to good utilization of capacity and a favorable cost structure with a significant lowering of the breakeven point, which both divisions achieved in the years of crisis. In the context of restructuring and cost-cutting programs manufacturing capacity was reduced in North America and western Europe, the establishment of facilities in new markets was accelerated and activities which did not form part of the core business were sold. These programs and projects were continued despite the upswing and have been largely completed. These actions will result in further cost reductions in the 2011 financial year. Rieter will be able to respond with greater flexibility to future changes in demand such as those experienced in 2008 and 2009.

Coping with the steep increase in order volumes in the 2010 financial year was a particular challenge for Rieter's personnel, managers and suppliers. Action taken in the personnel sector was a decisive factor in mastering the prolonged demand crisis and also the subsequent upswing. In 2008 and 2009 Rieter had utilized flexible working-time models, introduced short-time working at numerous locations in Europe and reduced the number of permanent employees. In the year under review Rieter initially coped with higher volumes by discontinuing short-time working and later by engaging temporary personnel.

At the end of 2010 the Rieter Group employed a workforce of 12 804. In the year under review the ongoing headcount reductions in certain countries were partially offset by the establishment of facilities in new markets and increases in capacity at Automotive Systems in North America.

In Europe the increase in capacity was achieved primarily by employing temporary personnel. In China and India new plants started production.

Rieter continued to invest in innovation and access to new markets in the crisis years in order to be prepared for the upswing with attractive products and an enhanced presence in growth regions. The good trend of business in the year under review confirms that the right investment decisions had been taken.

**Positive net result**

The improved operating result enabled Rieter to report a 259.1 million CHF increase in the net result for the 2010 financial year. Following two years of losses Rieter posted a net profit

of 41.6 million CHF, equivalent to 1.6% of corporate output, and earnings per share of 5.72 CHF (-50.96 CHF in 2009).

**Dividend (see separate Press Release)**

Rieter Holding Ltd. posted a net profit of 143.1 million CHF for the 2010 financial year, after the group had reported a loss in the previous year. Retained earnings of 187.8 million CHF are at the disposal of the Annual General Meeting. The Board of Directors proposes to the Annual General Meeting on April 13, 2011 the distribution of a special dividend to the shareholders of Rieter Holding Ltd. of one registered share in Autoneum Holding Ltd. (Division Automotive Systems) with a nominal value of CHF 0.05 and a book value of CHF 69.57 per registered share for each registered share in Rieter Holding Ltd. (a total of 4 672 363 registered shares in Autoneum Holding Ltd. with an aggregate book value of CHF 325 067 219).

**Rieter Textile Systems:****almost three-fold increase in orders received, clearly positive operating result**

Two years of conspicuously weak demand on the world market for spinning machinery were followed by a strong recovery with a broad regional base in the year under review. The upswing was driven by investment demand for replacements and expansion as well as strong growth in textile consumption in the major Asian markets in addition to improved sentiment in the European and US textile markets. Rieter Textile Systems successfully exploited the positive trend due to its strong market position and with machinery and technology components which are also adapted to local needs in emerging markets.

Orders received by Rieter Textile Systems rose from 510.8 million CHF in the previous year to 1 454.6 million CHF, corresponding to an almost three-fold increase. The trend in order intake was uniformly positive throughout the financial year. Sales growth was especially strong in the second half, and in the year as a whole revenue rose by 64% to 870.4 million CHF (532.0 million CHF in 2009). In local currency terms, orders received and sales increased by 188% and 67%, respectively.

Rieter Textile Systems posted a positive operating result due to high capacity utilization, especially in the second half of the year, and attractive products yielding good margins, as well as through a lean organization, low fixed costs and a lowering of the breakeven point. The operating result amounted to 77.9 million CHF or 9.2% of corporate output. In the previous year the division had posted an operating loss due to a massive drop in volumes. In the course of focusing on its core business, in 2009 Rieter agreed to sell its nonwovens activities to the Andritz Group, which operates internationally. This transaction was completed on March 9, 2010.

**Rieter Automotive Systems:  
striking increase in sales and positive operating result**

The automotive industry recorded substantial growth in output in all major economic regions in 2010 after suffering a steep decline in demand in 2008/2009. This had affected Rieter's main markets in the automotive component supply business – North America and Europe – with unprecedented severity. The comparatively high growth rates in these markets thus have to be viewed against the backdrop of very weak figures in preceding years. The trend in vehicle production in the emerging Asian markets remained positive. Rieter Automotive Systems reaped the benefit of the more favorable global environment with its broad-based customer portfolio as well as established and newly launched products. Sales by the division rose by 20% from 1 424.3 million CHF to 1 715.4 million CHF. Encouragingly, Automotive Systems recorded only slightly lower sales in the second half than in the first six months, despite seasonal effects. However, the weakness of the US dollar and the Euro versus the Swiss franc had an adverse impact on the trend in sales, especially in the second six months. In local currency terms, Automotive Systems' sales were 25% higher in the 2010 financial year. Based on exchange rates prevailing in 2007, Automotive's sales would currently be around 2 billion CHF, albeit still 15% below their peak in 2007.

In 2010 Rieter Automotive Systems continued to implement the restructuring program launched in the preceding years, despite the high production volumes, thus significantly lowering the breakeven point. The restructuring was virtually completed. In conjunction with the higher volumes, which resulted in good capacity utilization, the division posted an improvement in the operating result from – 105.1 million CHF in the previous year to 31.0 - million CHF, equivalent to an operating margin of 1.8%.

In the context of adjustment and cost-cutting programs and focusing on core activities, in the summer of 2010 Rieter sold Idea Institute, based in Turin, Italy, together with the associated activities in China and Brazil to Quantum Kapital AG in Switzerland. The Italian design, modeling and engineering company was part of Rieter Automotive Systems.

**Sound balance sheet and the confidence of the capital markets**

Rieter had a sound balance sheet at the end of the year under review. The equity ratio was 32%, cash and cash equivalents at the end of the year amounted to 351.9 million CHF (217.7 million CHF in 2009) and net liquidity was – 3.5 million CHF (10.4 million CHF in 2009).

On March 30, 2010, Rieter Holding Ltd. issued 250 million CHF of 5-year bonds with a 4.50% coupon, maturing on April 30, 2015. This issue of bonds enabled Rieter to diversify its financial resources, extend the maturity of its funding and take advantage of the favorable capital market environment.

**Access to the markets of the future; innovations for developing the business**

In the 2010 financial year the Rieter Group continued to implement its strategy for ensuring sustained, profitable growth and gradually increased capital investment again. Rieter had postponed a number of projects in the two previous years. However, Rieter invested selectively in projects to access new markets and speed up innovation. It is of crucial importance for both divisions to have a presence in the major growth regions worldwide and be able to supply customers with market-specific products and services. Only in this way can they maintain and expand their strong position as global systems suppliers.

Rieter Textile Systems continued to expand its development and manufacturing structures in India and China in 2010. In addition to its leading position as a premium supplier of machinery, service offerings and technology components, Rieter Textile Systems also aims to position itself in the mid-market segment in the major new Asian markets. In 2010 Rieter Textile Systems launched new products to meet the specific needs of customers in the major growth markets of China and India and achieved encouraging market success. In the year under review Rieter Textile Systems also continued to pursue innovations in machinery and technology components which will provide competitive advantages for customers worldwide, either with new types of yarn or in terms of lower manufacturing costs. The novel airjet spinning process launched in selected markets in the previous year has demonstrated its qualities in selected customers' mills and is being developed further.

Rieter Automotive Systems also continued to expand its presence in India and China in 2010, and achieved disproportionately strong growth in these markets. The Chinese automobile market has recorded enormous growth rates in recent years, in the meantime also on the basis of high unit volumes: more automobiles were produced in China in 2010 than in western Europe or the USA. Rieter Automotive Systems still has a relatively small market share in China, but is well placed to benefit from the great potential of the market. In the year under review Automotive Systems continued to work on innovations which support customers in their response to the major technical challenges facing automotive engineering. Legal stipulations for fuel economies and the reduction of noise and pollutant emissions are being tightened for automobiles and commercial vehicles in many large markets. Automotive Systems has unique expertise at its disposal in acoustic and thermal management, and contributes substantially to making vehicles lighter and at the same time more economical with lightweight combinations of materials such as Rieter Ultra Silent und Rieter Hybrid Acoustics.

**Annual General Meeting and shareholders**

Shareholders elected Dr. Dieter Spälti to the Board of Directors of Rieter Holding Ltd. for a further three-year term of office at the Annual General Meeting held on April 28, 2010.

Erwin Stoller will be nominated for a further three-year term of office as a member of the Board of Directors at the Annual General Meeting on April 13, 2011. Subject to his election, it is envisaged that Erwin Stoller will continue to chair this body.

**Outlook**

As a leading supplier to the textile machinery and automobile industries, Rieter participated successfully in market recovery last year. Order intake and sales rose markedly throughout 2010. Both divisions attained a positive operating income again, and the Group recorded a net profit.

Further development of the respective divisional markets mainly depends on consumer sentiment in Europe and North America, and on economic growth in the major Asian markets. Factors that can additionally influence business developments also include exchange rate effects, commodity prices such as for crude oil, cotton, etc. – not to speak of disasters as for example in Japan in March 2011.

The cost reduction measures and restructuring projects largely completed per end of 2010 have lowered our break-even point, and the Rieter Group cost position is now better than before the financial and economic crisis.

For 2011 as a whole, the Rieter Group therefore expects today a sales growth in the double-digit percentage range, and a further improvement of the margin from operating activities also by comparison with the second half of 2010.

Thanks to the gratifying order backlog per beginning of year, and good ongoing demand for textile machinery and technology components, Rieter Textile Systems expects a substantial sales increase for 2011. This division expects a further improvement of operating margin compared with 2010 overall, primarily due to higher volumes both in the textile machinery and technology components businesses. Textile Systems plans additional investments to accelerate production plant expansion in Asia and thereby further improve market positioning in China and India.

Rieter Automotive Systems expects further sales growth in 2011, which will not however profit from the same baseline effect as in 2010. Automotive Systems growth in Asia and North America is likely to be stronger than in other regions. Sales growth in local currencies is expected to be stronger than in Swiss francs due to appreciation of the latter against the Euro and US dollar. Automotive Systems expects for 2011 another significant improvement of operating margin. Contributions to this are expected from the European business region, which strives for a significantly reduced operating loss in 2011 compared with 2010. Automotive Systems expects a positive net result for the year thanks to operating income improvements in 2011.

**Changes in the Group Executive Committee**

In the Board of Directors' meeting of Rieter Holding Ltd. on March 21, 2011, Martin Hirzel was appointed as the new head of the Rieter Automotive Systems Division and a member of the Group Executive Committee. He will assume this position as per April 18, 2011 in succession to Wolfgang Drees, who is resigning as head of the division at his own request. Martin Hirzel has headed the SAMEA (South America, Middle East and Africa) Business Group in the Automotive Systems divisional management team since 2007. From 1997 to 2007 he had occupied various management positions at Rieter Automotive Systems and Rieter Textile Systems in Switzerland and China. Subject to Rieter shareholders' approval of the proposal to split up the Rieter Group and form the two divisions into independent companies, Martin Hirzel will head the Autoneum company as CEO. Martin Hirzel is 41 years of age and a Swiss national. A detailed curriculum vitae can be found at [www.rieter.com](http://www.rieter.com) (Media Kit).

Wolfgang Drees, born 1953, has been with Rieter since 2007, initially as head of Business Group Europe and deputy head of division at Automotive Systems. Since the beginning of 2008 he has been responsible for the Automotive Systems Division as a member of the Group Executive Committee. Under his leadership the division has carried out extensive programs to adapt its structures, continued to press forward with innovations, launched major products on the market and successfully completed the turnaround. Wolfgang Drees will continue to be available to Rieter Automotive Systems and the independent Autoneum company to familiarize the new CEO with his assignment and in the context of specific projects. The Board of Directors regrets the departure of Wolfgang Drees and wishes to thank him for the important contribution he has made to Rieter Automotive Systems during the very difficult crisis years experienced by the automotive industry.

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Further information about the year-end results as well as the Annual Report 2010 and photos for the media can be found at [www.rieter.com](http://www.rieter.com) (Media>>>Media Kit). At [www.rieter.com](http://www.rieter.com) you can also subscribe to the mailing list for our press releases.

**2010 Annual Results Media Conference**

Today, March 22, 09.00 h

**2010 Annual Results Financial Analysts' Conference**

Today, March 22, 14.00 h

Location : Maschinenfabrik Rieter, Training Center, Klosterstrasse 20, 8406 Winterthur

**Important dates 2011**

Annual General Meeting 2011            April 13, 2011

Semi-annual report 2011                July 27, 2011

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## Key Figures

CHF million	2010	2009	2010/2009 Change in %
<b>Rieter Group</b>			
Orders received	3 170.0	1 935.1	64
Sales	2 585.8	1 956.3	32
Corporate output <sup>1</sup>	2 525.5	1 846.5	37
Operating result before interest and taxes (EBIT)	98.0	-186.6	
• in % of corporate output	3.9	-10.1	
Net result	41.6	-217.5	
• in % of corporate output	1.6	-11.8	
Cash flow <sup>2</sup>	170.3	-93.0	
• in % of corporate output	6.7	-5.0	
Investments in tangible fixed assets and intangible assets	98.2	61.7	59
Total assets	1 969.1	1 814.1	9
Shareholders' equity before appropriation of profit	627.6	655.8	-4
Number of employees at year-end <sup>3</sup>	12 804	12 761	0
<b>Divisions</b>			
Sales Textile Systems	870.4	532.0	64
Operating result before interest and taxes (EBIT) Textile Systems	77.9	-73.6	
• in % of corporate output Textile Systems	9.2	-15.8	
Sales Automotive Systems	1 715.4	1 424.3	20
Operating result before interest and taxes (EBIT) Automotive Systems	31.0	-105.1	
• in % of corporate output Automotive Systems	1.8	-7.6	

CHF million	2010	2009	2010/2009 Change in %
<b>Rieter Holding Ltd.</b>			
Share capital	23.4	23.4	
Net profit	143.1	1.0	
Gross distribution	<sup>4</sup>	0.0	
Number of registered shares, paid-in	4 672 363	4 672 363	
Average number of registered shares outstanding	4 640 220	4 392 808	6
Price per share (high/low)	CHF 343/244 <sup>5</sup>	270/95 <sup>5</sup>	
Number of registered shareholders on December 31	8 415	8 400	0
Market capitalization on December 31	1 565.8	1 084.5	44
<b>Data per registered share</b>			
Earnings per share	CHF 5.72	-50.96	
Equity (group) <sup>6</sup>	CHF 120.57	126.42	-5
Gross distribution (Rieter Holding Ltd.)	CHF <sup>4</sup>	0.0	

- 1 Sales, adjustments for sales deductions and own work capitalized and changes in inventories of products manufactured by the company (see Annual Report page 46).
- 2 Net result plus depreciation and amortization (see Annual Report page 78).
- 3 Excluding apprentices and temporary employees.
- 4 Special dividend: shares of Autoneum Holding Ltd. (proposed by the Board of Directors).
- 5 Source: Bloomberg.
- 6 Shareholders' equity attributable to shareholders of Rieter Holding Ltd. per share outstanding at December 31.

All statements in this report which do not refer to historical facts are forecasts for the future which offer no guarantee whatsoever with respect to future performance; they embody risks and uncertainties which include – but are not confined to – future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors which are outside the company's control.