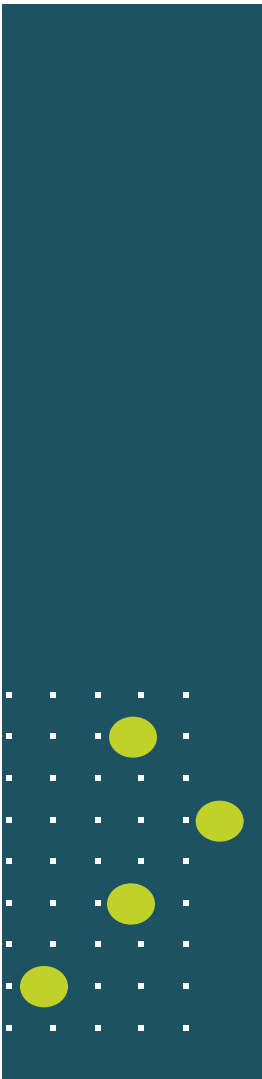




Rieter Holding

· Investor presentation – Results 2013

· Joris Gröflin, Group CFO

- 
1. Introduction and summary of 2013
 2. A view on Rieter
 3. Financial results 2013
 4. Outlook

2013: Key messages

“Rieter has leveraged its strong **market position** in a more dynamic market environment and has largely completed its investment program. Thanks to higher **sales, profitability** and increasing **free cash flows**, Rieter increases the cash dividend – a **dividend of 3.50 CHF** per share has been paid out for 2013.”

Dr. Norbert Klapper

Group CEO

Significant increase in orders and sales – higher profitability and dividend

Market development

- Continued positive spinning mill margins led to broad-based willingness to invest
- Substantial orders booked in Turkey, other Asian countries and US
- Chinese market strong in first half year but waning at year-end
- Orders in India rose in second half, albeit still at a modest level

Strategic / operational

- Sales increase in all regions except Europe – China by 16% to 223.2 million CHF
- High order intake confirmed strong world-wide market position as system supplier
- Innovations launched in both Business Groups, R&D investments reached 45 million CHF

Investment program

- Investment program 2012 / 2013 largely completed at the end of 2013
- Expansion projects in China and India successful and capacity available as of 2014
- Airjet selective market introduction ongoing
- IT-supported process improvement projects will be completed in 2014




Financial

- Order intake increased by 50% to 1259.4 million CHF
- Sales increased by around 17% to 1035.3 million CHF
- Higher profitability of 5.8% EBIT margin and 3.6% net profit margin
- EPS of 8.56 CHF and a dividend of 3.50 CHF paid out of reserves from capital contributions

Rieter – Investment program 2012 / 2013

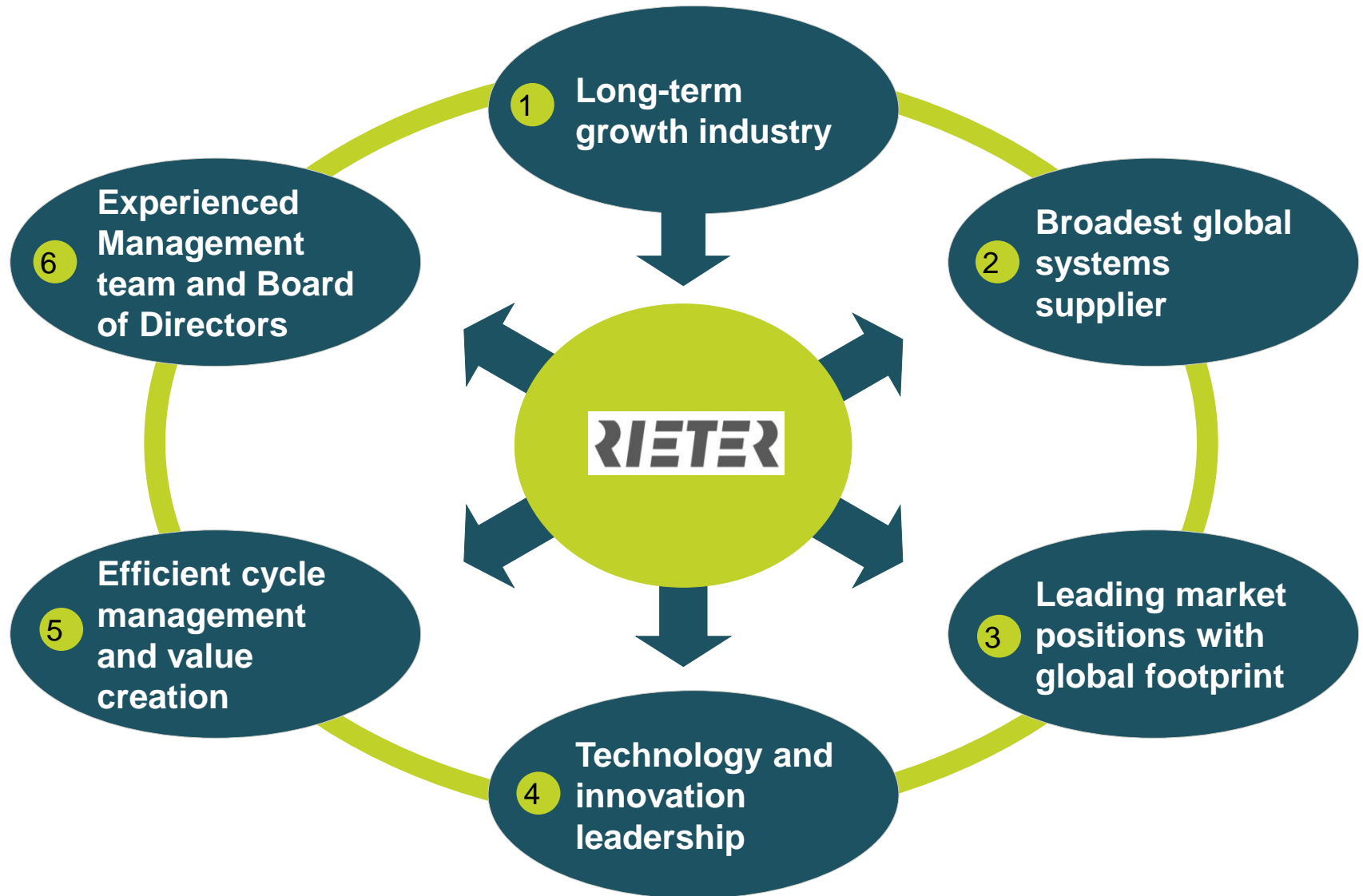


Investment program largely completed

	2012	2013	2014
Expansion in Asia 	<ul style="list-style-type: none"> Inauguration of first stage of second plant in Changzhou (China) Construction of second plant in India 	<ul style="list-style-type: none"> Completion of plant II in Changzhou Ramp-up of second plant in India 	<ul style="list-style-type: none"> Full additional production capacity available Continue airjet market introduction
Innovation 	<ul style="list-style-type: none"> Airspinning machine (J 20) well received at ITMA Asia First J 20 full system operational at client 	<ul style="list-style-type: none"> Controlled market introduction Focus on additional fiber types and cost reduction 	<ul style="list-style-type: none"> Conclusion of IT-supported processes project Reduction of temporary personnel for investment program 2012 / 2013
Process improvements 	<ul style="list-style-type: none"> Improvements in new plants, centralization in Switzerland realized Global processes defined 	<ul style="list-style-type: none"> Operational Excellence in main plants completed Go-live of new IT-supported processes with delay of half a year 	
~ 146 million CHF	Cost: 25.3 Capex: 51.6	23.7 35.7	~ 10

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Key investment highlights of Rieter



1 – Rieter's market: Short staple spinning machines and components



Rieter's customers spin any fiber with a length from 25 to 45 mm to yarn

Fibers

- Length: 25 – 45 mm
- Types: Man-made (synthetic and cellulosics) and natural (cotton)
- Consumption: 39.9 million tons (2011)
- Consumption growth: ~2.3% p.a.

Spinning mills

- ~ 8,000 globally diversified customers
- Value drivers: High utilization, yarn property differentiation, constant quality and reliability of yarn, raw material sourcing

Machines / components

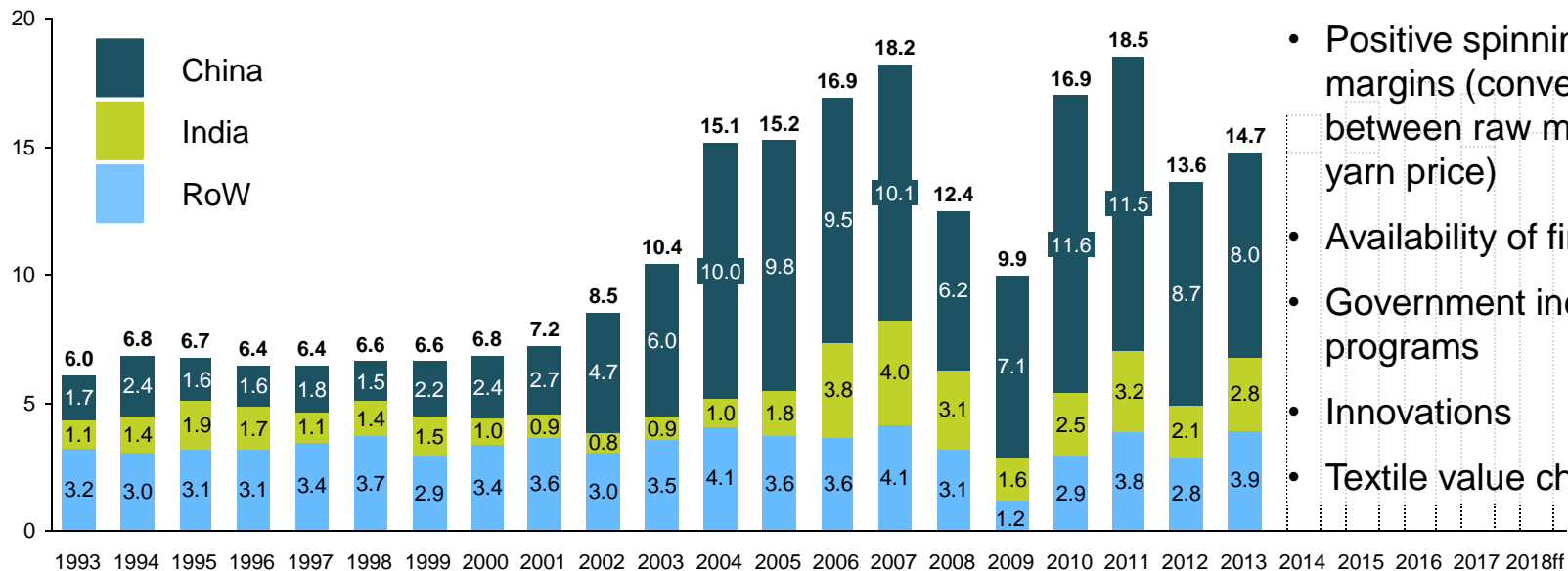
- Multi-machine systems with precision components
- High-tech but not disruptive technology
- Competitive landscape:
Rieter (global full system supplier), 2 regional system suppliers, 3 sub-system suppliers and various machine and component suppliers

1 – Rieter's market: Long-term growth industry



Cyclical market will be driven by continued growth in fiber demand

Spindle equivalents (shipments) - in million



Investment cycle triggers:

- Positive spinning mill margins (conversion between raw material and yarn price)
- Availability of financing
- Government incentive programs
- Innovations
- Textile value chain shifts

Future growth drivers

Growing fiber demand calls for additional capacity beyond productivity gains

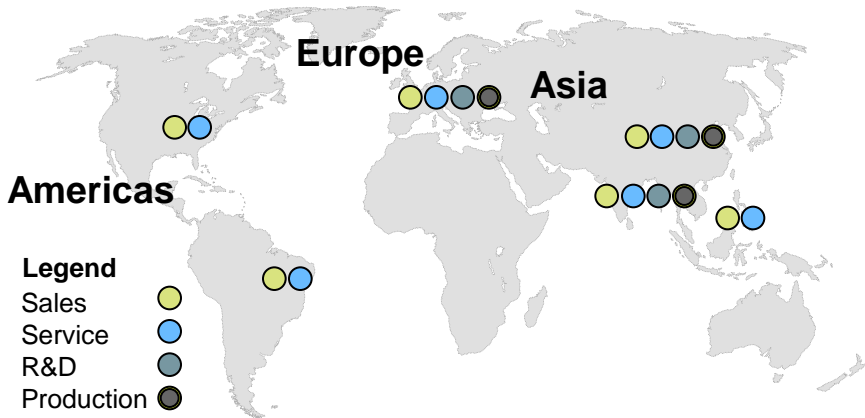
Trend to increasing quality, fineness and automation

Replacement of installed capacity

Source: ITMF 2013, Rieter

2 – Broadest global systems supplier

Global supplier...



...of spinning machinery and components



Full-liner for all fibre types...

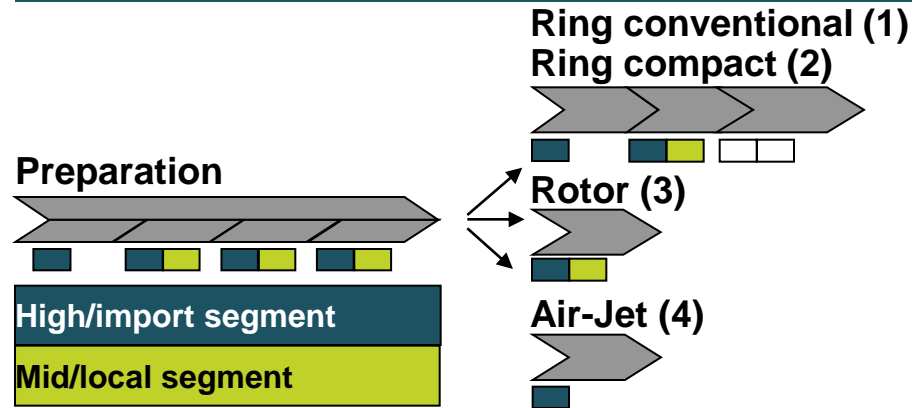
From raw material...



...to yarn



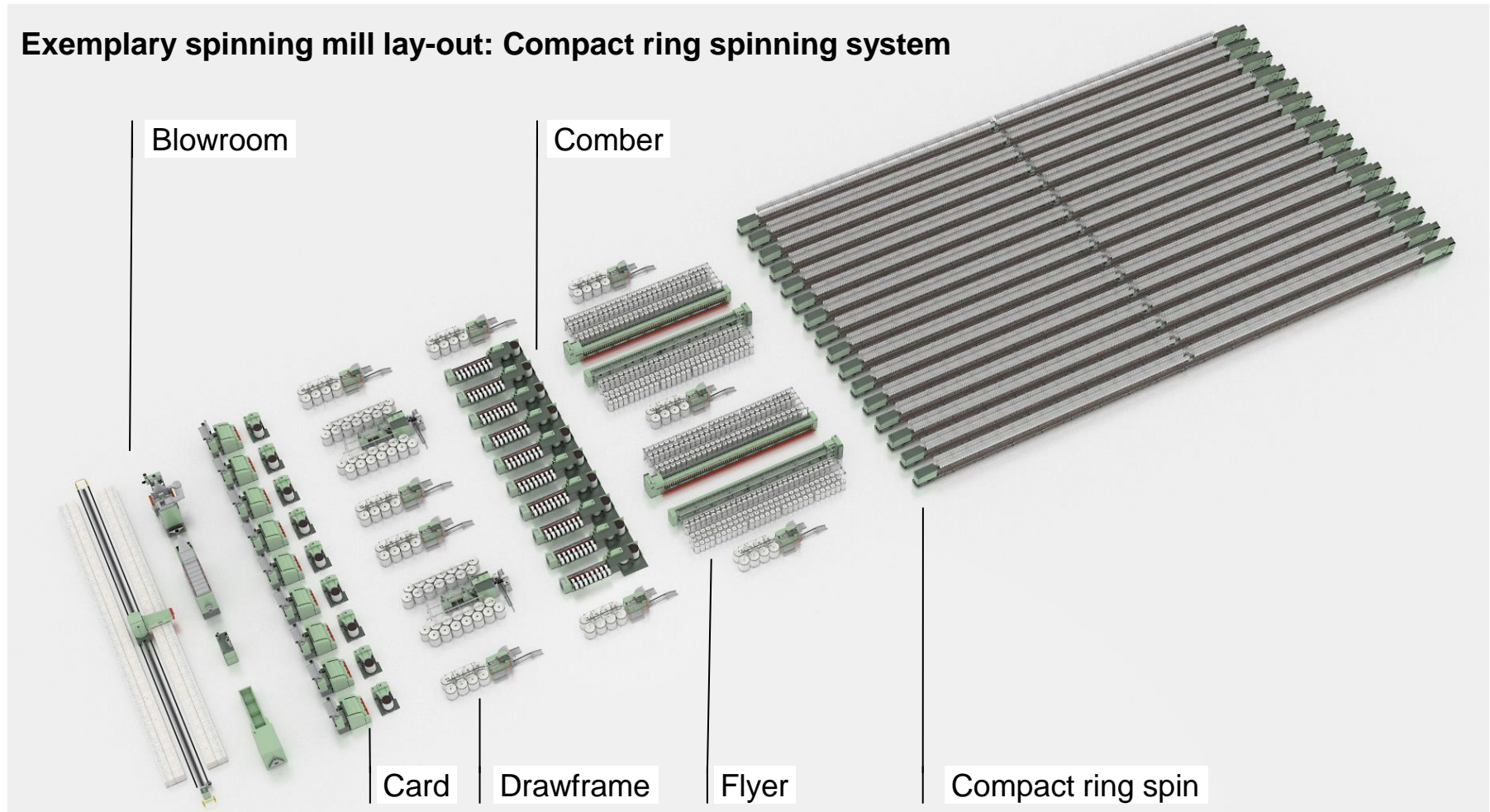
...covering preparation and all four spinning technologies



2 – Full-liner: Rieter offers full systems

Spinning mills are a system of pre and end spinning machines






Exemplary spinning mill lay-out: Compact ring spinning system



3 – Leading market positions with global footprint

Market leadership in the import segment, still potential in the local segment

Market position 2013

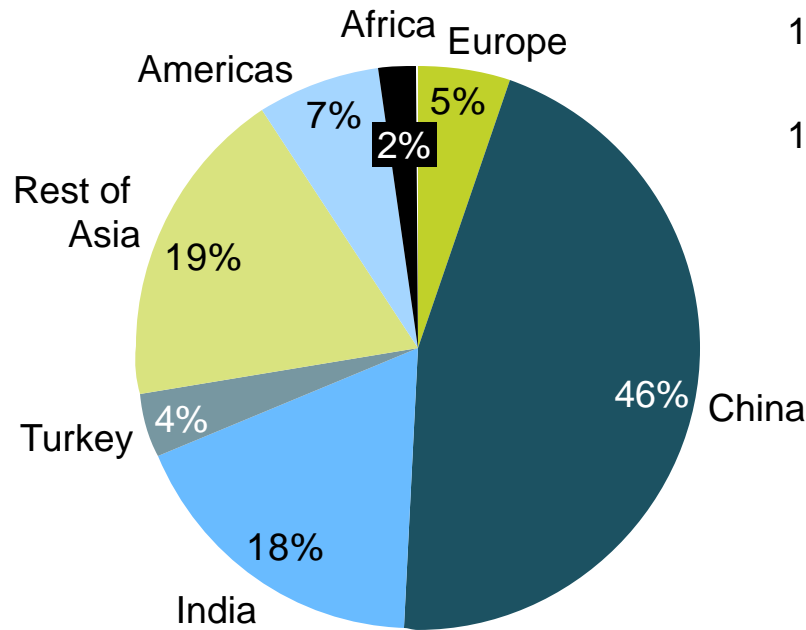
Product group	Segment	Machinery (SYS)	Components (PTC)
	Import	1	1
	Local	3	3
	Import	1	1
	Local	4	3
	Import	1	1
	Local	3	1
	Import	2	2
	Local	2	2
	Import	2	2

3 – Leading market positions with global footprint

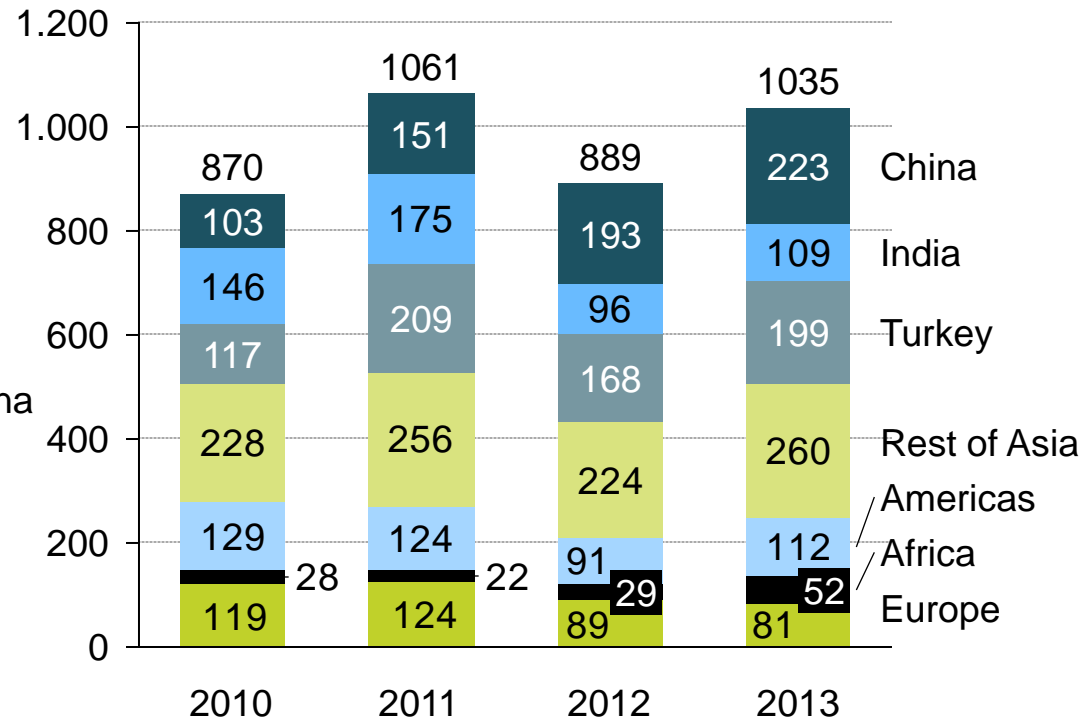


Continuous increase of sales in largest market China

2012, world-wide installed capacity (spindle equivalents) in %



2010 – 2013, Rieter sales in Mio CHF



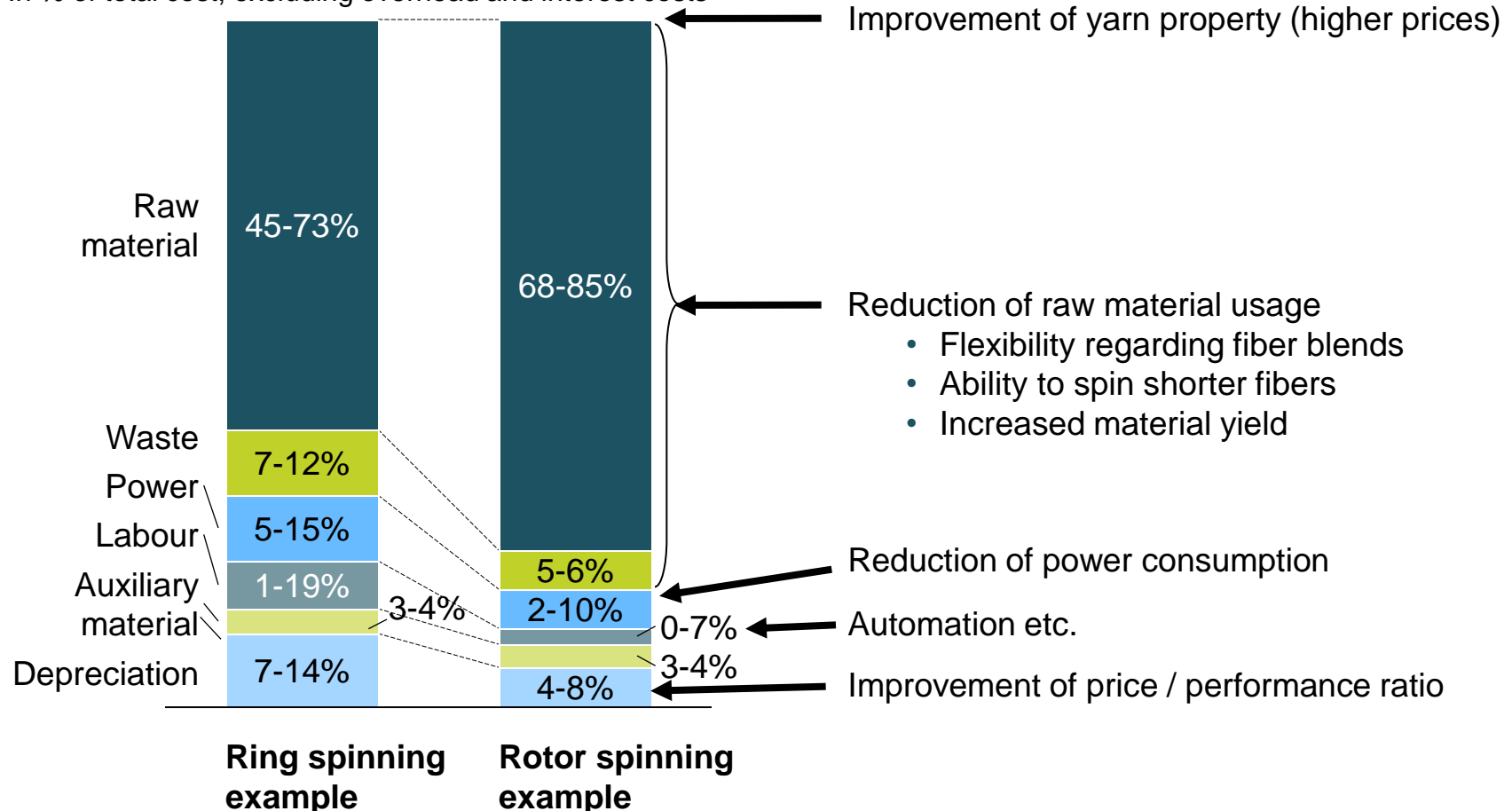
Source: ITMF statistics

4 – Technology and innovation leadership

SYS and PTC are focused on improving customer's competitive position

Cost structure of a spinning mill

In % of total cost, excluding overhead and interest costs



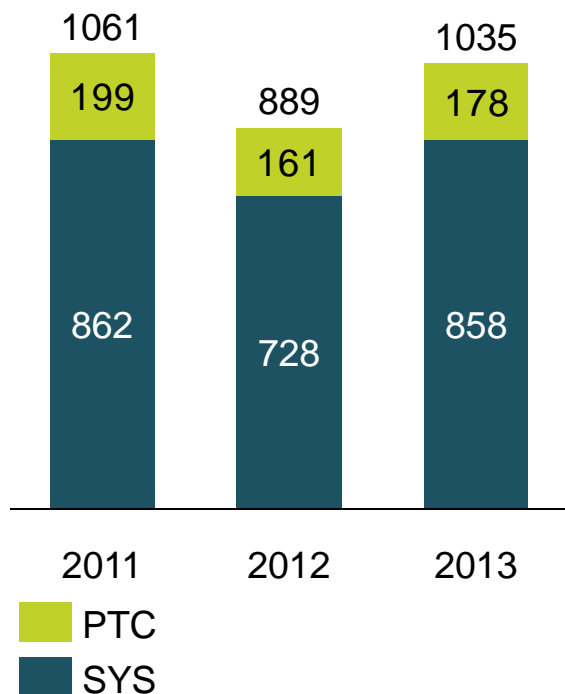
Source: ITMF International cost comparison 2010; values are range over 8 countries (Brazil, China, Egypt, India, Italy, Korea, Turkey and USA)

5 – Efficient cycle management and value creation

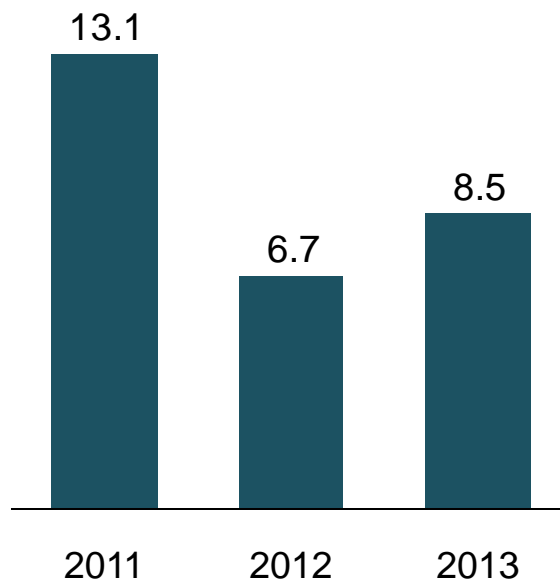


Return on net asset base and free cash flow generation of high significance

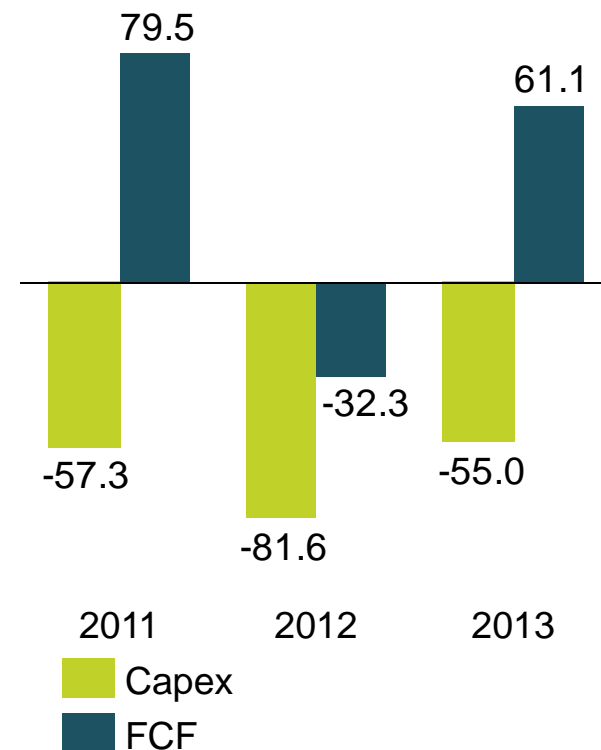
Sales
(in million CHF)



Return on net assets
(in %)¹⁾



Capex and FCF
(in million CHF)²⁾



1) 2011: Without disposal gain of Lakshmi shares

2) Includes cash flow from divestments in million CHF: 1.3 (2013), 35.0 (2012), 52.2 (2011)

6 – Experienced BoD and Management team

Board of Directors



Michael Pieper
Member of the Board

Peter Spuhler
Member of the Board

Erwin Stoller
President

This E. Schneider
Vice President

Dr. Jakob Baer
Member of the Board

Hans-Peter Schwald
Member of the Board

Dr. Dieter Spälti
Member of the Board

Management team



Werner Strasser
Head Business Group Premium Textile
Components



Dr. Norbert Klapper
Chief Executive Officer
and Head Business Group Spun
Yarn Systems



Joris Gröflin
Chief Financial Officer



Thomas Anwander
General Counsel and Company
Secretary

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Rieter – Financial key figures



Substantial improvement of profitability supported by higher sales

CHF million	FY 2013	HY2 2013	HY1 2013	FY 2012
Order Intake	1'259.4	548.0	711.4	839.7
Sales	1'035.3	557.2	478.1	888.5
EBITDA ⁽¹⁾	95.2	60.9	34.3	65.9
EBIT ⁽¹⁾	60.2	43.1	17.1	32.7
EBIT margin (of sales)	5.8%	7.7%	3.6%	3.7%
Net profit ⁽²⁾	37.4	32.4	5.0	25.7
R&D expenditures	45.0	22.9	22.1	42.7
Capex ⁽³⁾	55.0	28.5	26.5	81.6
Free cash flow	61.1	73.2	-12.1	-32.3

(1) Including strategic project costs of 23.7 million CHF in 2013 (25.3 million CHF in 2012)

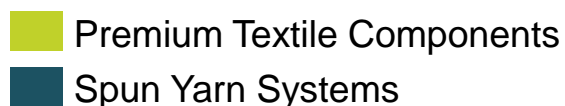
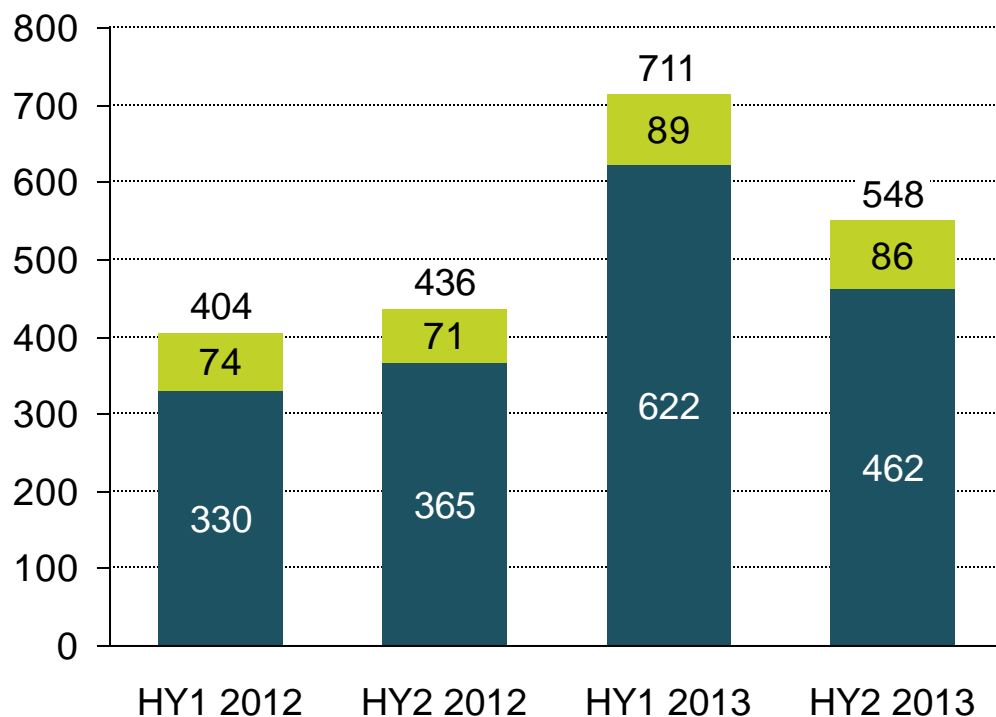
(2) Including gain from sale of assets of 0.3 (2012: 17.6 million CHF)

(3) Including investments for strategic projects of 35.7 million CHF (2012: 51.6 million CHF)

Orders by business group

50% higher orders than 2012 driven by HY1

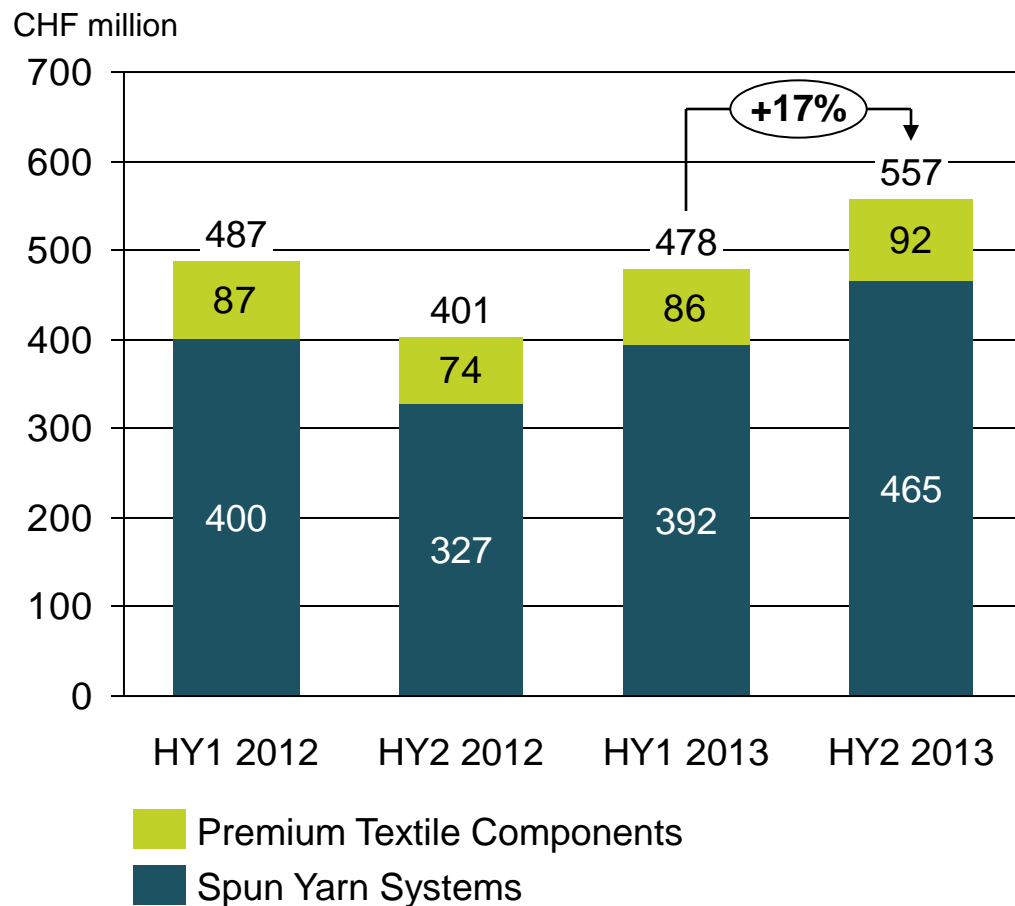
CHF million



- Year-on-year increase driven by Spun Yarn Systems
 - SYS: + 56% (local currency + 57%)
 - PTC: + 21% (local currency + 21%)
- Order backlog at around 765 million CHF at year-end (2012: around 550 million CHF)

Sales by business group

Sales increased by around 17% against 2012 to 1'035.3 million CHF



- Increase in both business groups
 - SYS: + 18% (local currency + 19%)
 - PTC: + 10% (local currency + 10%)
- Increase in HY2 due to increased and modernized capacities

Balance sheet



Net liquidity increases to 141.3 million CHF and equity ratio stable at 35%

CHF million	31.12. 2013	30.06. 2013	31.12. 2012
Total assets	1114.0	1092.7	1070.1
Non-current assets	371.1	363.5	356.3
Net working capital	14.7	74.9	62.0
Liquid funds	369.7	323.0	351.9
Net liquidity	141.3	63.2	95.6
Short-term financial debt	44.8	21.8	6.7
Long-term financial debt	183.6	238.0	249.6
Shareholders' equity	389.7	367.2	375.9
in % of total assets	35%	34%	35%

- Net liquidity of 141.3 million CHF mainly impacted by positive free cash flow of 61.1 million CHF thanks to strong improvement of net working capital
- Dividend of 11.6 million CHF (2.50 CHF per share) paid out in April 2013
- Reclassification of minority investor put option liability to short-term debt (27.0 million CHF)
- Shareholders' equity ratio at stable 35%
- Long-term financial debt includes Bond of 250.0 million CHF (2010 – 2015, 4.5%)

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Targets 2014



- Customer Focus!
 - Process order backlog to the satisfaction of our customers
 - Ensure an executable and profitable order intake
- Finalize investment programs
 - India and China: Completed
 - Processes: Finish improvements
 - Airjet spinning: Continue market introduction
- Leverage investments

Outlook 2014

- With broadly based business worldwide, Rieter has seen a good demand for textile machinery and components in the first two months of 2014. Demand depends among other factors on the development of yarn and raw materials prices, currency exchange rates, financing costs, and global consumer sentiment.
- Based on the current order backlog – already reaching into 2015 – full year sales for 2014 are expected to show high single digit growth compared to 2013 with a stronger second semester. Operational profitability (EBIT) in 2014 will be positively impacted by volume growth, whereas additional costs of 10 million CHF for conclusions of the IT-supported processes project, low airjet capacity utilization and lower order backlog margins than in the second semester 2013 are expected to have an adverse impact. Rieter expects for the year 2014 a higher operating result (EBIT) than in 2013.
- Rieter will put additional focus in 2014 on its customers to ensure on-time delivery of order backlog and a profitable future order intake. Further priorities will be the completion of the final investment program activities and leveraging the new assets from the investment program 2012 / 2013.

Targets 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 sales
Dividend policy	Target pay-out ratio of approx. 30% of net result

Disclaimer



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All statements in this report which do not reflect historical facts are statements related to the future which offer no guarantee with regard to future performance; they are subject to risks and uncertainties including, but not limited to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.

Agenda 2014



HY1 2014 results publication:

July 23, 2014

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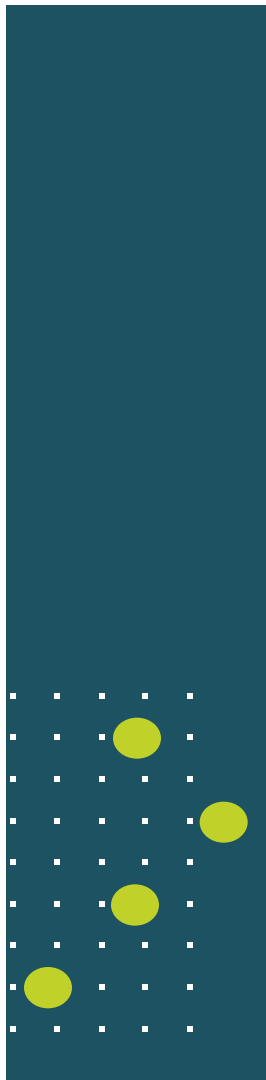
Cornelia Schreier

Head Corporate Communications

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Appendix



Rieter is a leading supplier of short staple textile machinery and components

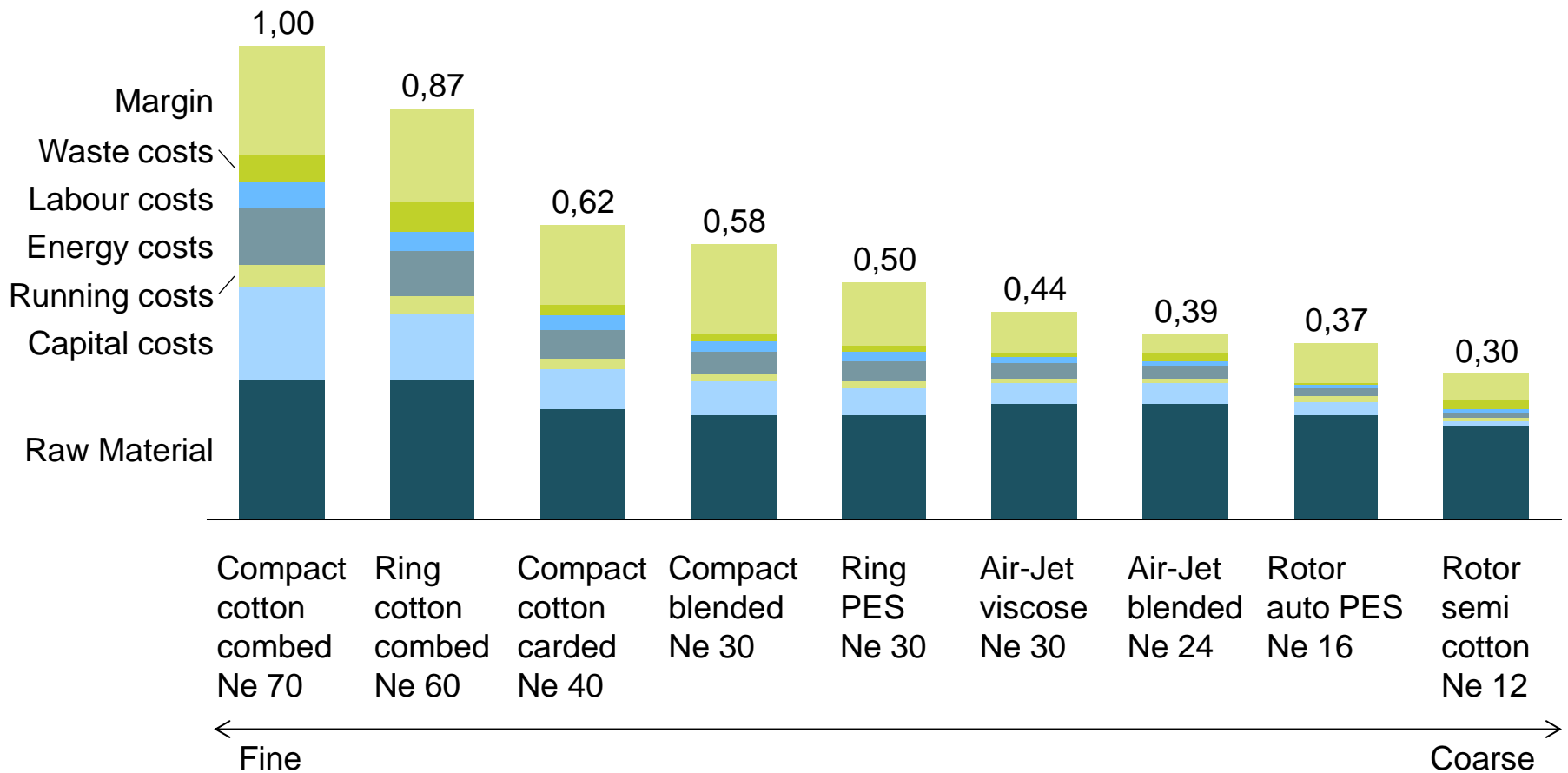
- **Rieter – an industrial group based in Winterthur, CH, operating on a global scale**
 - Formed in 1795, and a leading supplier of short-staple spinning machinery and technology components
 - Widest product range in this industrial sector worldwide
 - Global presence in 10 countries with 18 manufacturing facilities and a workforce of about 4 800 employees worldwide (25% of workforce is based in Switzerland)
- **Rieter – a strong brand with a long tradition**
 - Rieter's innovative momentum has been a powerful driving force for industrial progress.
 - Products and solutions are ideally tailored to its customers' needs and are increasingly also produced in customers' markets
- **Rieter aspires to achieve sustained growth in enterprise value for the benefit of shareholders, customers and employees**
 - Seeking to maintain continuous growth in sales and profitability
 - Primarily by organic growth, but also through strategic alliances and acquisitions
- **The company comprises two Business Groups:**
 - Spun Yarn Systems (SYS) develops and manufactures machinery and systems for processing natural and man-made fibers and their blends into yarns
 - Premium Textile Components (PTC) supplies technology components and service offerings to spinning mills and also to machinery manufacturers

1 – Rieter's market: Fiber and yarn price



Different yarn products exist – Rieter machines spin all short staple yarns

Selection of short staple yarn prices, cost and margins in USD/kg (estimated 2013 indexed)




1 – Rieter's market: Impact of macro trends on growth




Macro trends will have a positive impact on Rieter's position

Future growth drivers



Growing **fiber demand** calls for additional capacity beyond productivity gains

- Population growth
- Rising disposable incomes in Asia
- Faster fashion cycles
- Demand growth (~2.3% p.a. till 2030) higher than productivity increase (~1% p.a.)



Trend to increasing **quality, fineness** and **automation**

- Labour cost increase
- Labour availability
- Raw material availability
- Quality awareness of end-customer
- Quality in down-stream (weaving and knitting)

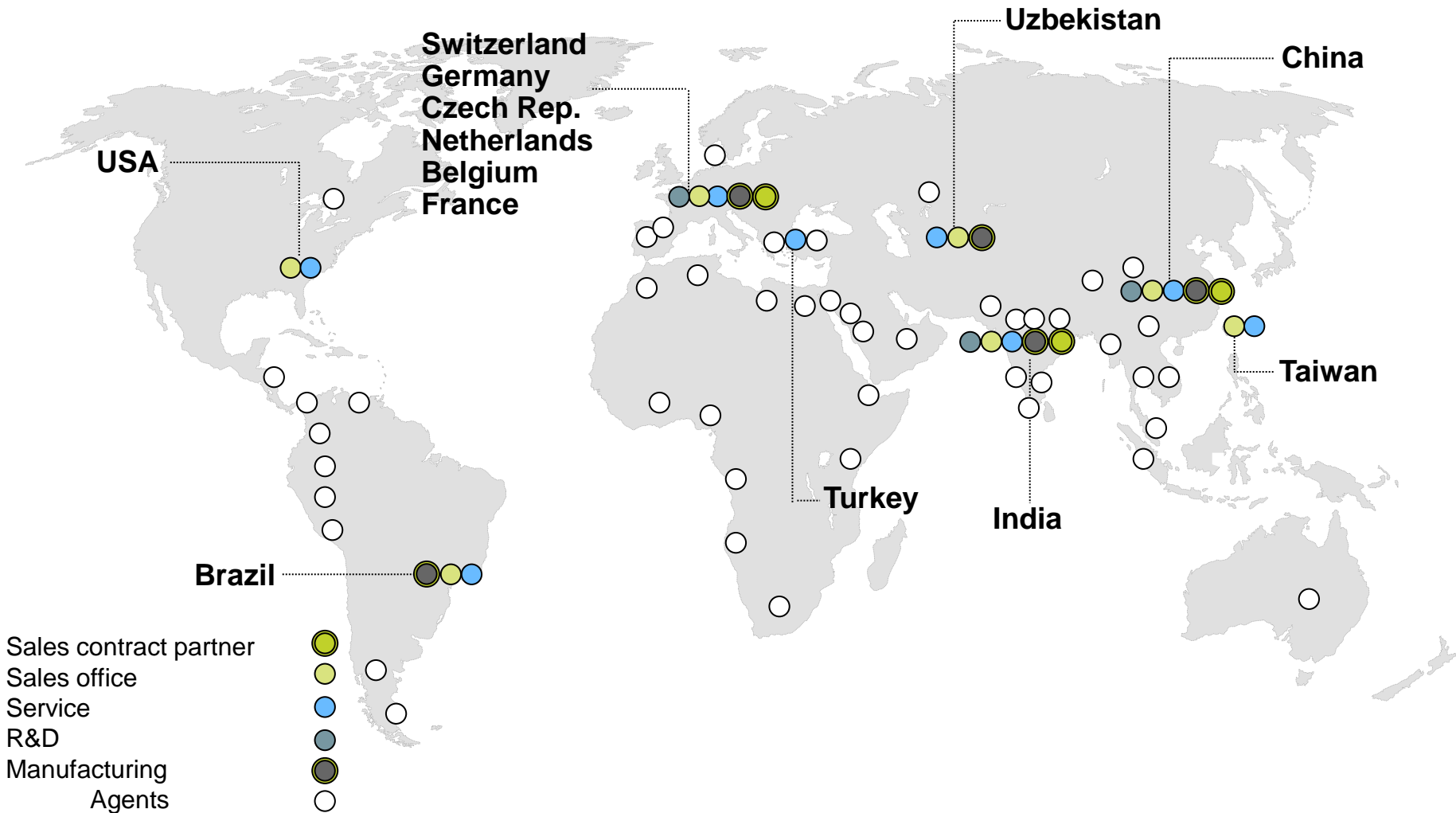


Replacement of installed capacity

- Government programs (e.g. 12th Five Year Plan in China)
- End-of-lifetime
- Energy cost

2 – Global supplier: Rieter's locations worldwide

Rieter is present in all relevant textile producing countries

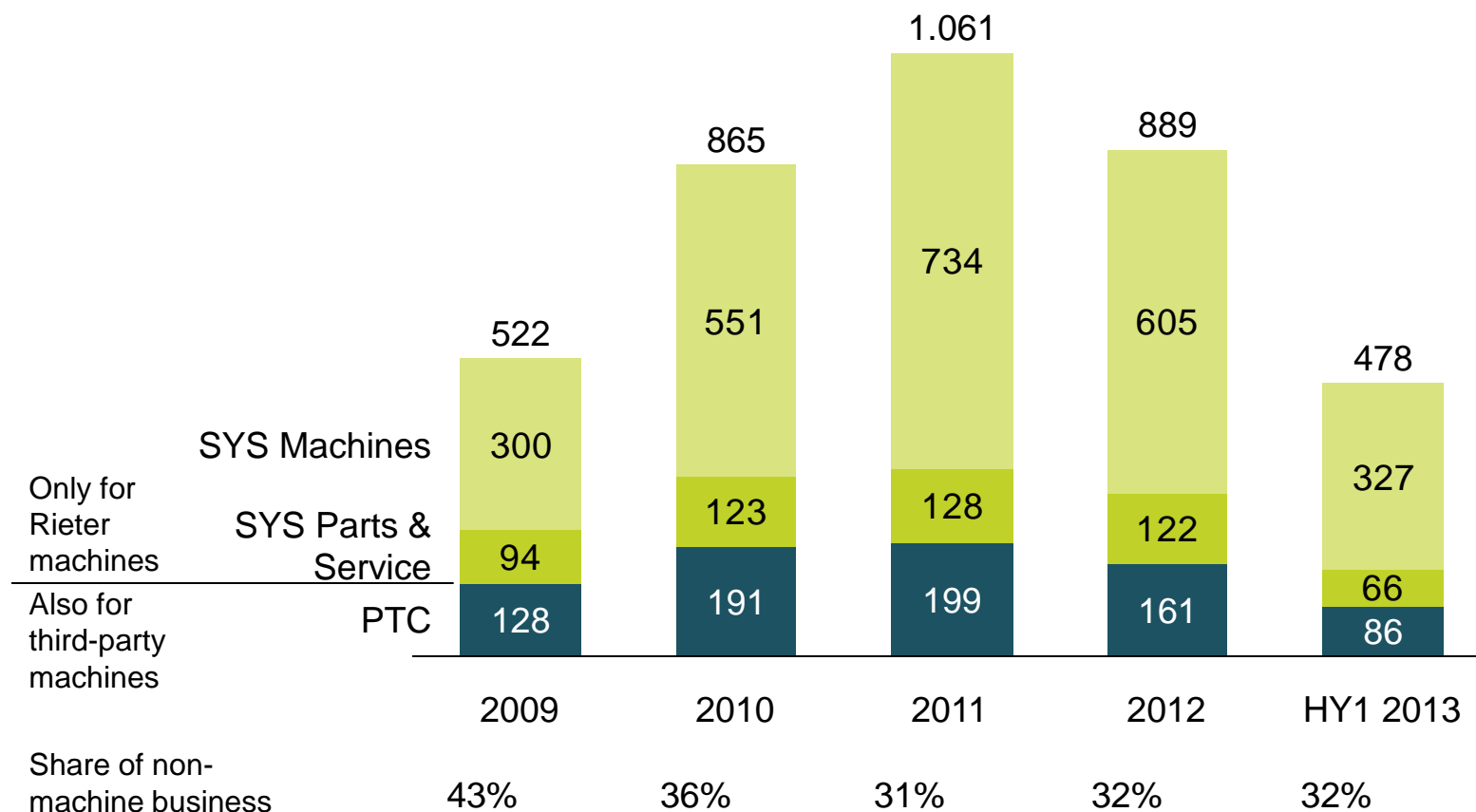


2 – Machinery and components: Sales by product type



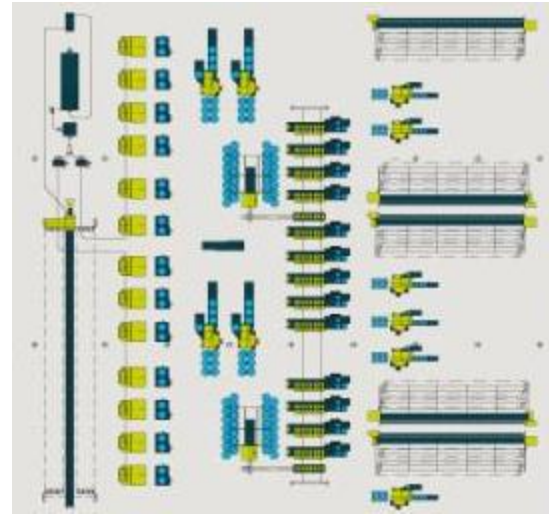
Around 30% of sales is less cyclical parts & service and PTC business

Distribution of sales (in million CHF)



2 – Service and installation offering

Rieter – service and engineering solutions as key value proposition



Feasibility studies

- Simulation
- Spinning schedule
- Production costs

Mill planning

- Layout (3D)
- Automation
- Infrastructure

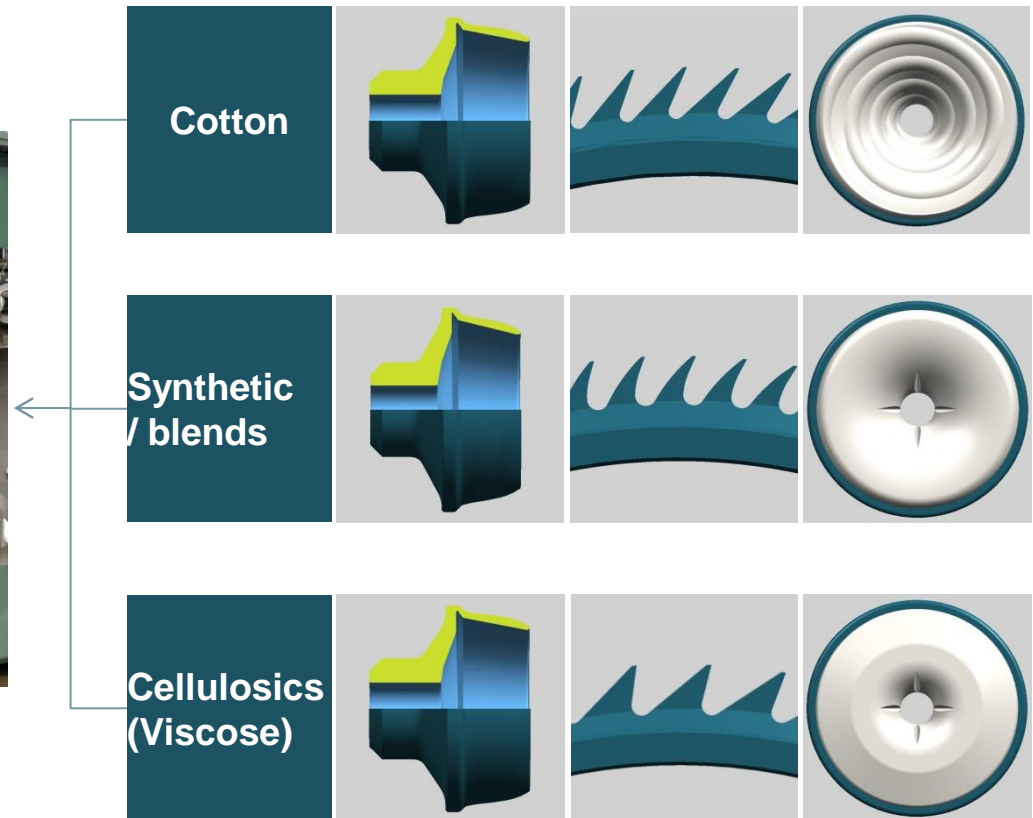
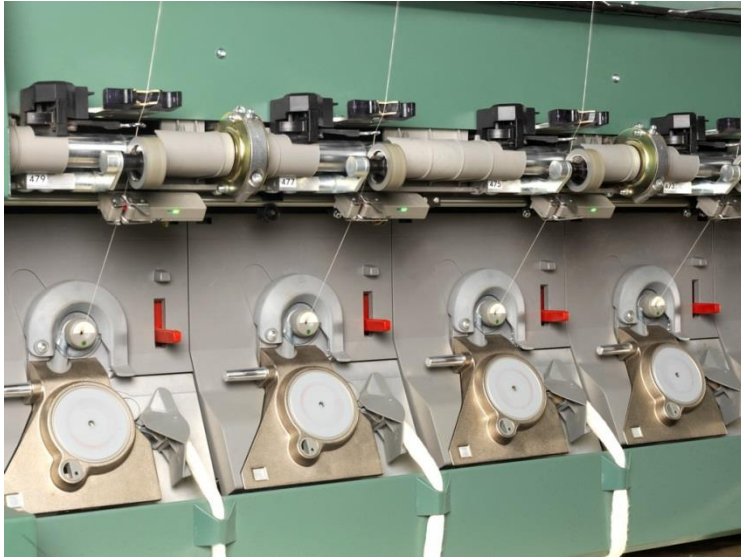
Project management

- Engineering
- Coordination
- Hand-over

2 – Full-liner: Spinning technology for all fiber types

Rieter's products can be adapted to spin all fiber types

Example Rotor R 60 – component options for all fiber types



Rieter – Financial highlights 2013



Higher sales, profitability and free cash flow – dividend of 3.50 CHF per share

Orders received

- Order intake of 1'259.4 million CHF was 50% higher than 2012
- Order backlog at around 765 million CHF

Sales

- By around 17% higher sales at 1'035.3 million CHF. Increase by around 17% from HY1 to HY2. Spun Yarn Systems increased by 18%, Premium Textile Components by 10%

Profitability

- EBIT margin at 5.8% of sales with stronger second half-year
- Spun Yarn Systems at 5.3% of sales, Premium Textile Components at 10.0% of sales

Net profit

- Net profit margin at 3.6% of sales
- Return on net assets (RONA) at 8.5%

Investments / Innovation

- Capital expenditures decreased to 55.0 million CHF
- Continued focus on R&D led to increase by 5% to 45.0 million CHF (or 4.3% of sales)

Free cash flow

- Free cash flow of 61.1 million CHF as a result mainly of EBITDA increase and substantial reduction of net working capital
- Net liquidity at strong 141.3 million CHF

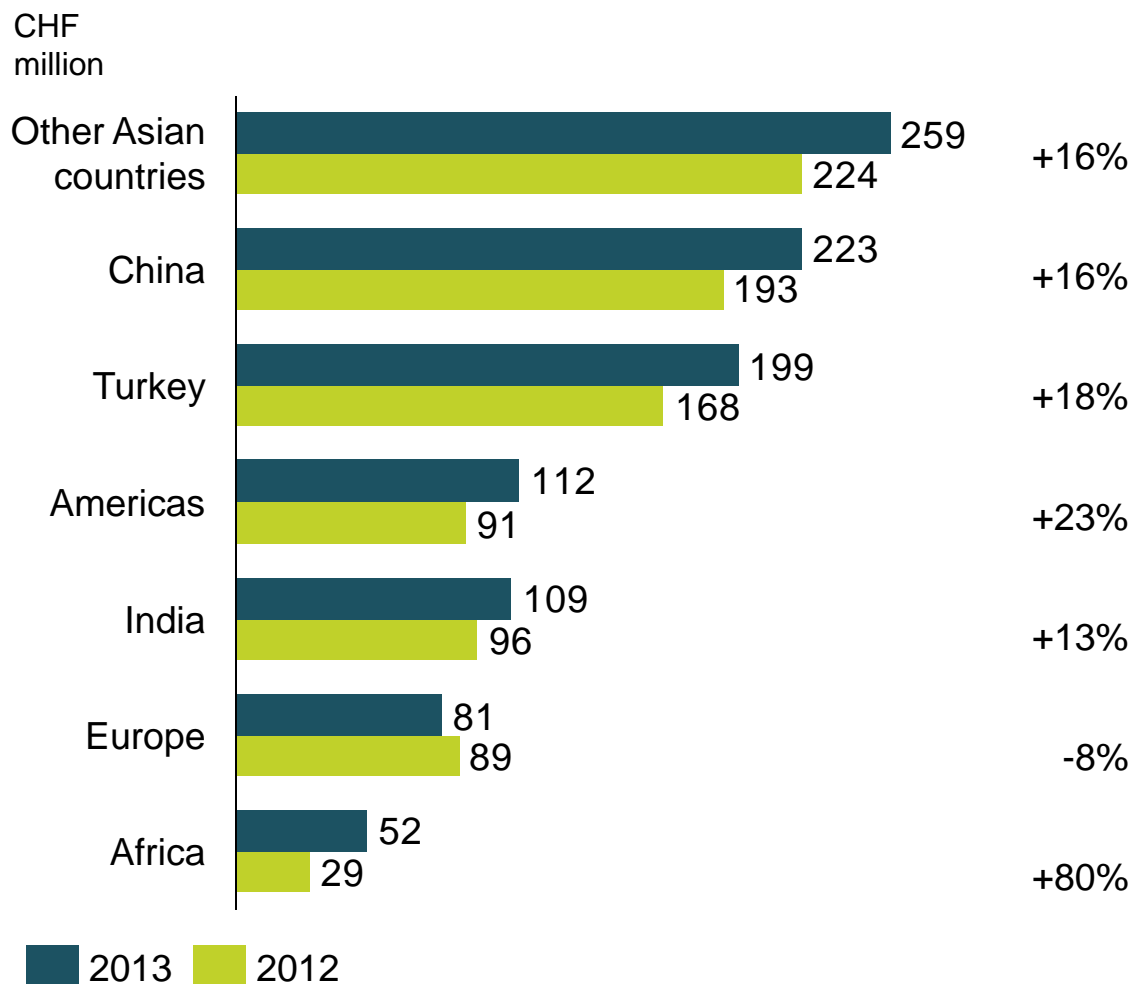
Dividend policy

- Earnings per share of 8.56 CHF
- Dividend of 3.50 CHF per share from reserves from capital contributions paid out

Sales development by region



Growth in all areas except Europe in 2013



- Sales growth in absolute terms widely spread over all main regions
- Higher sales to other Asian countries reflect increase of demand in HY1 13
- Share of sales to China remains at 22% (2012: 22%), Share of sales to India remains around 10% (2012: 11%)
- Share of sales to Asia at 76% (2012: 77%)

Operating result (EBIT)

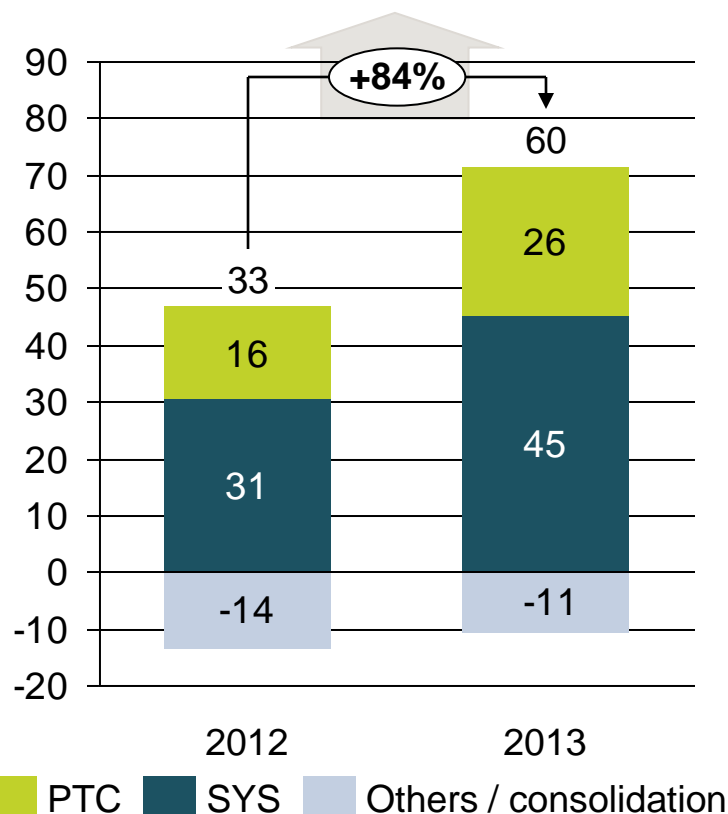
EBIT margin increased to 5.8%

In % of sales

3.7%

5.8%

CHF million



- EBIT increased by 84% to 60.2 million CHF in 2013 (incl. strategic projects costs: of 23.7 million CHF)
- Profitability mainly impacted by
 - Continued volume increase in the more profitable components business (PTC) as well as in the machine business (SYS)
 - Margin improvement especially in the second half year thanks to higher capacity utilization, better product mix in the machinery business and higher parts and PTC volumes
- Continuation of investment program despite volume down-turn led to strategic project cost of 23.7 million CHF (2012: 25.3 million CHF)
- Structural employee cost reduction improved profitability by 6.0 million CHF in second half year

Net profit and RONA

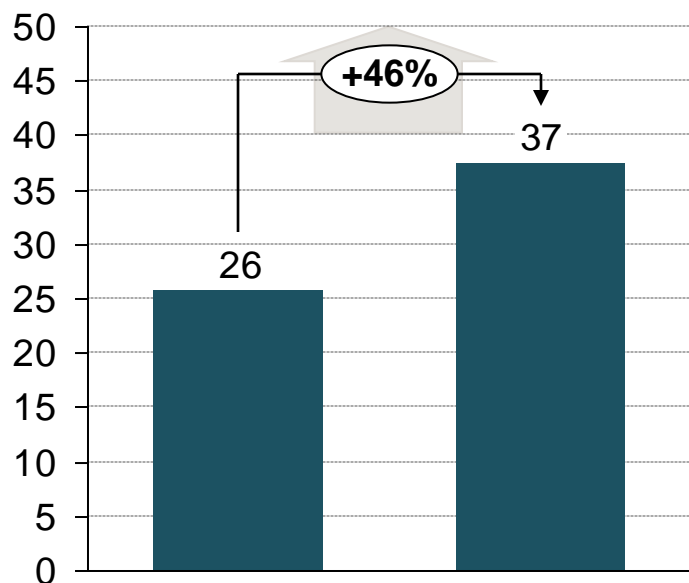
Net profit margin increase to 3.6% thanks to better operating result

In % of sales

2.9%

3.6%

CHF million



2012

2013

EPS in CHF

6.24

8.56

Div. in CHF

2.50

3.50

RONA in %

6.7%

8.5%

- Financial result mainly impacted by interest cost on 2015 bond and revaluation gain of 5.2 million CHF from minority investors put option
- Disposal of equity interests contributed 0.3 million CHF (2012: 17.6 million CHF)
- Tax rate at 28.8%
- Earnings per share increased to 8.56 CHF
- Dividend of 3.50 CHF per share out of the reserve from capital contributions paid out (dividend yield of 1.7%)

Net working capital

Significant decrease of net working capital to 14.7 million CHF

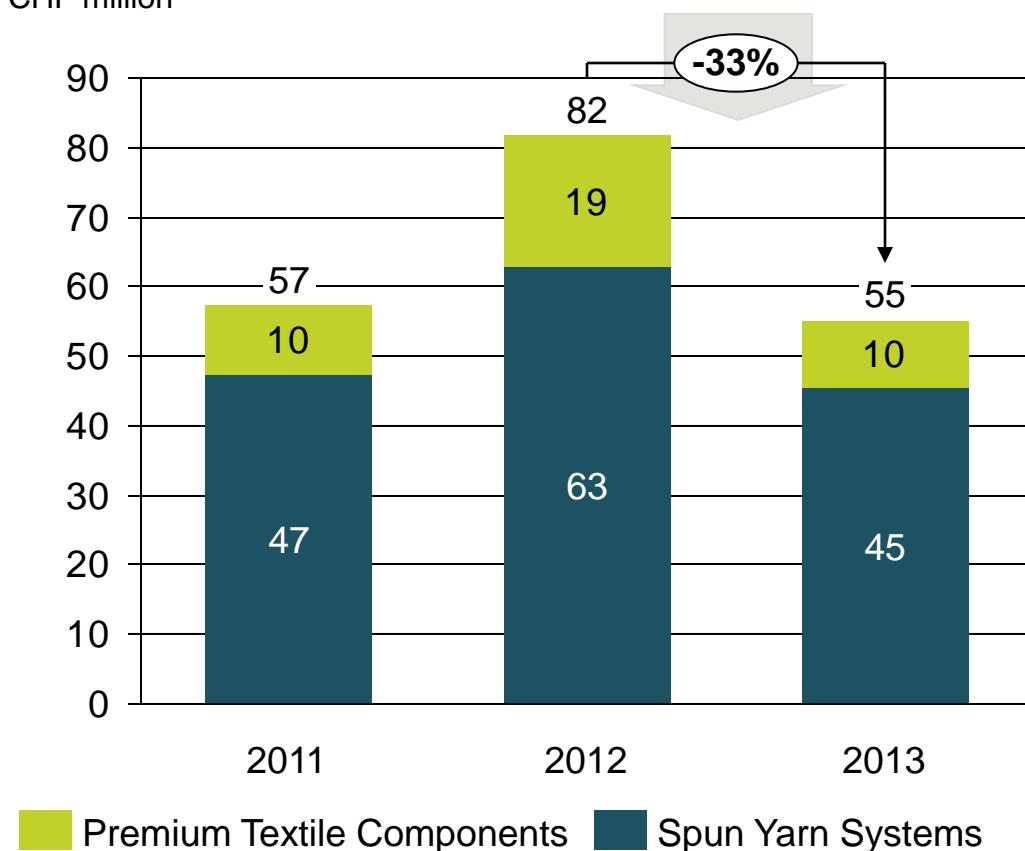
CHF million	31.12. 2013	30.06. 2013	31.12. 2012
Inventories	233.0	248.4	229.3
Trade receivables	94.1	111.5	91.1
Other receivables	46.1	46.3	41.5
Trade payables	-96.0	-85.7	-97.3
Advance payments	-135.5	-115.4	-79.8
Other current liabilities	-127.0	-130.2	-122.8
Net working capital	14.7	74.9	62.0

- Inventories reduction since HY1 2013 despite higher sales
- Significant increase of advance payments from customers thanks to higher order backlog and higher advance payment ratio

Capital expenditures

Capital expenditures drop 33% and are mainly driven by investment program

CHF million



- Capital expenditure for investment program 2013 amounts to 35.7 million CHF (2012: 51.6 million CHF)
- Maintenance capital expenditure at 19.3 million CHF (1.9% of sales), which is under long-term average of 3.5% of sales

Free cash flow

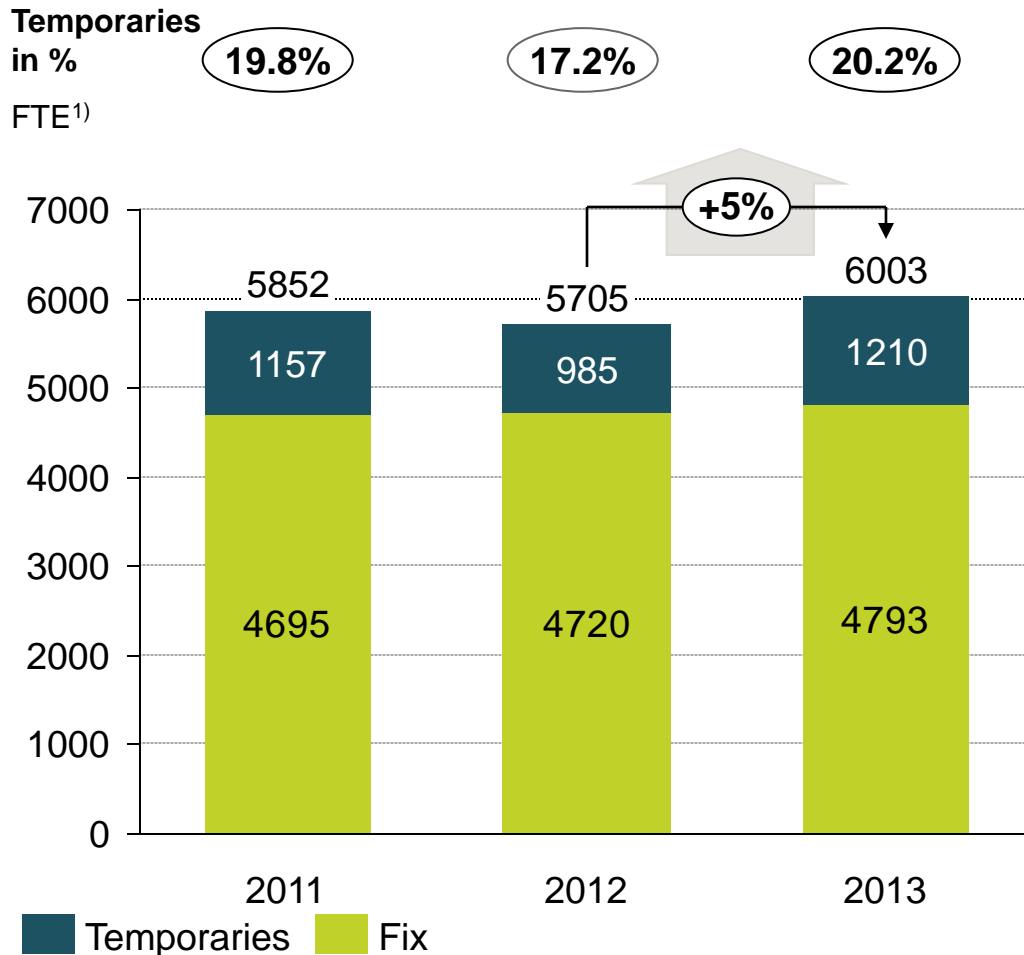
Strong free cash flow of 61.1 million CHF despite high investments

CHF million	2013	2012
Net profit	37.4	25.7
Interest and tax expense (net)	29.1	22.1
Depreciation and amortization	35.0	33.2
+/- Non-cash items / disposal gains	-12.4	-39.2
+/- Change in net working capital	46.1	-4.9
+/- Interest paid / received (net)	-11.5	-9.9
+/- Taxes paid	-16.0	-17.7
+/- Capital expenditure, net	-49.5	-75.9
+/- Change in other financial assets	1.6	-0.7
+/- Sale LMW shares / divestments	1.3	35.0
Free cash flow	61.1	-32.3

- Positive free cash flow of 61.1 million CHF (2012: -32.3 million CHF)
- Main impact on free cash flow from net working capital improvement and high investments due to investment program 2012 / 2013

Changes in workforce

Total workforce increased by 5% despite sales increase of around 17%



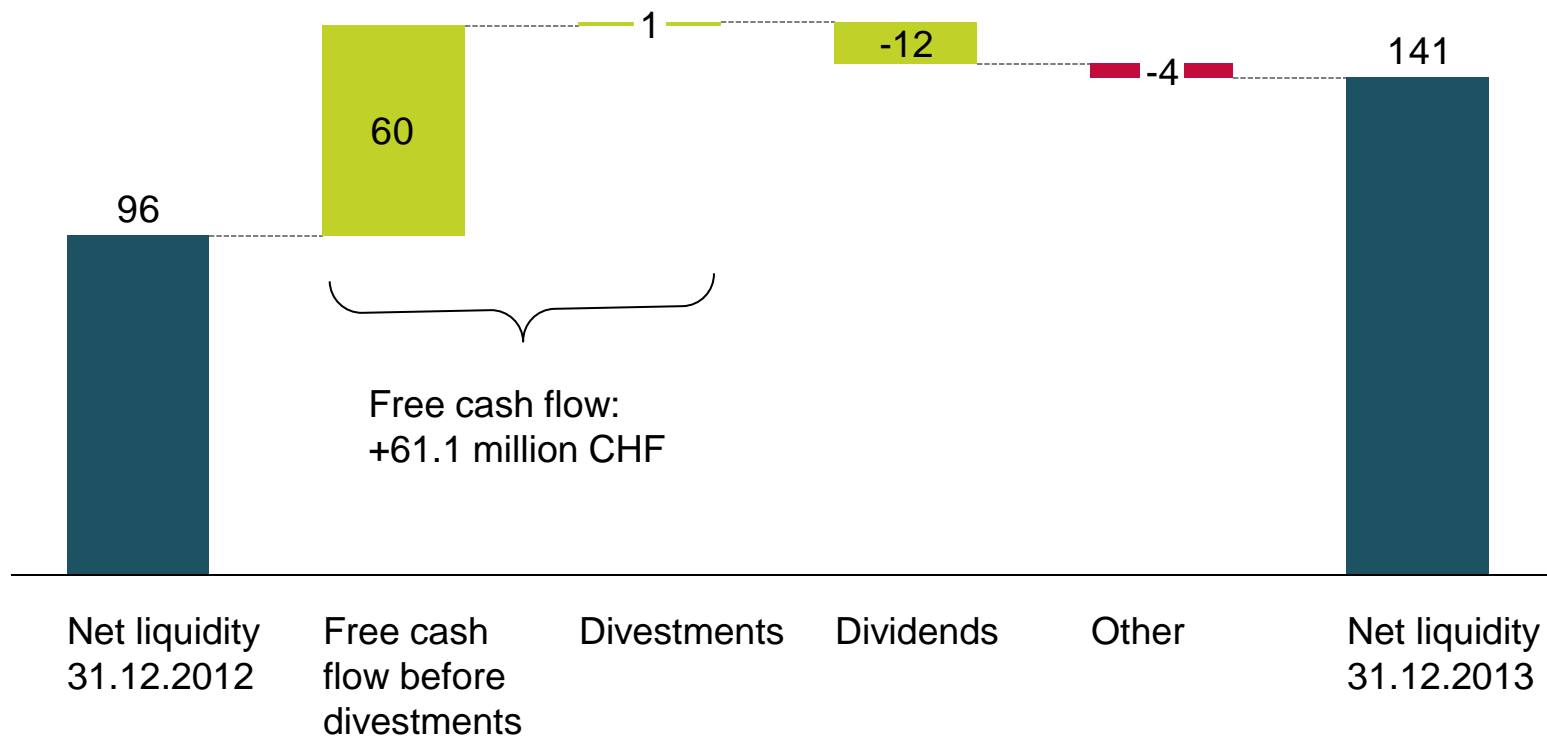
- Higher volumes managed with additional temporary personnel and higher productivity
- Structural cost reduction program ongoing

1) Excluding apprentices, including temporary employees

Net liquidity

Net liquidity positively impacted by free cash

CHF million

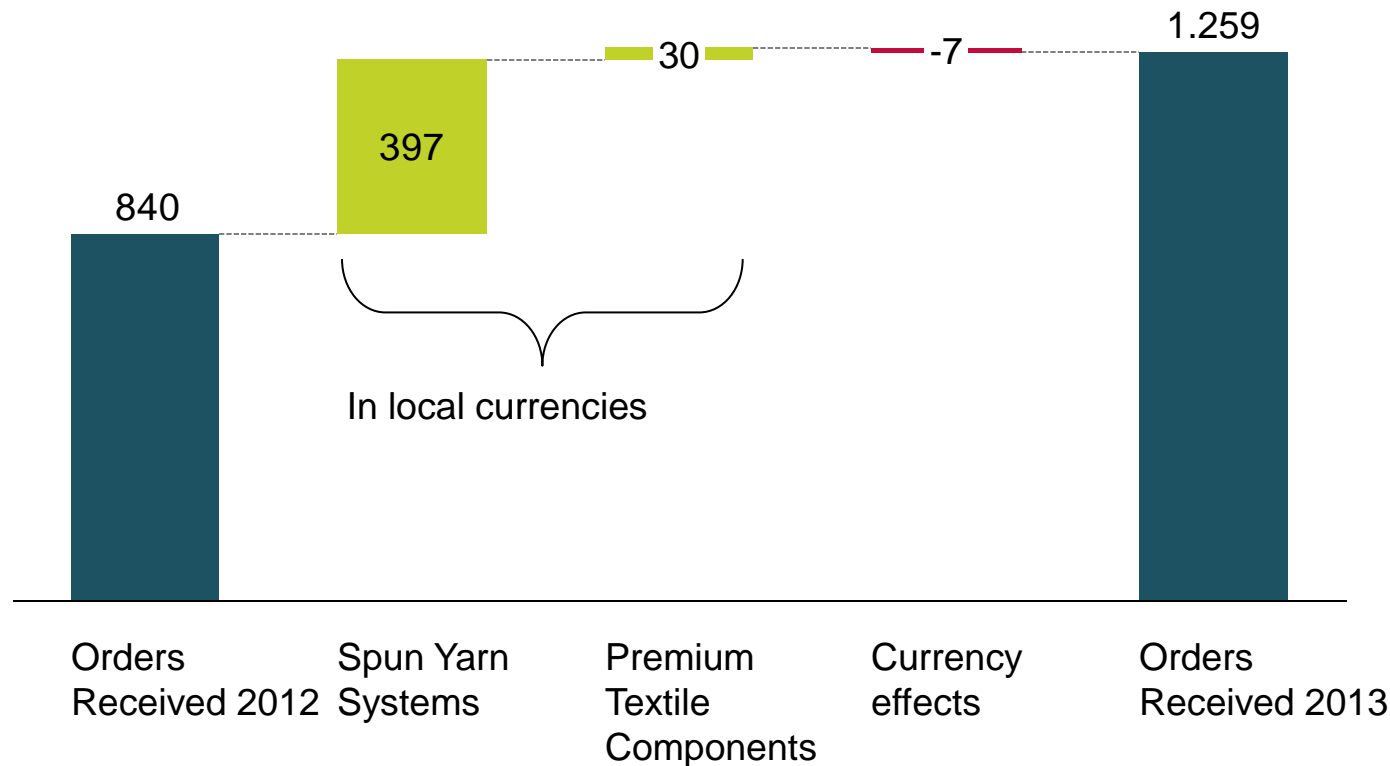


Order intake development and currency impact



Order intake mainly driven by Spun Yarn System volume increase

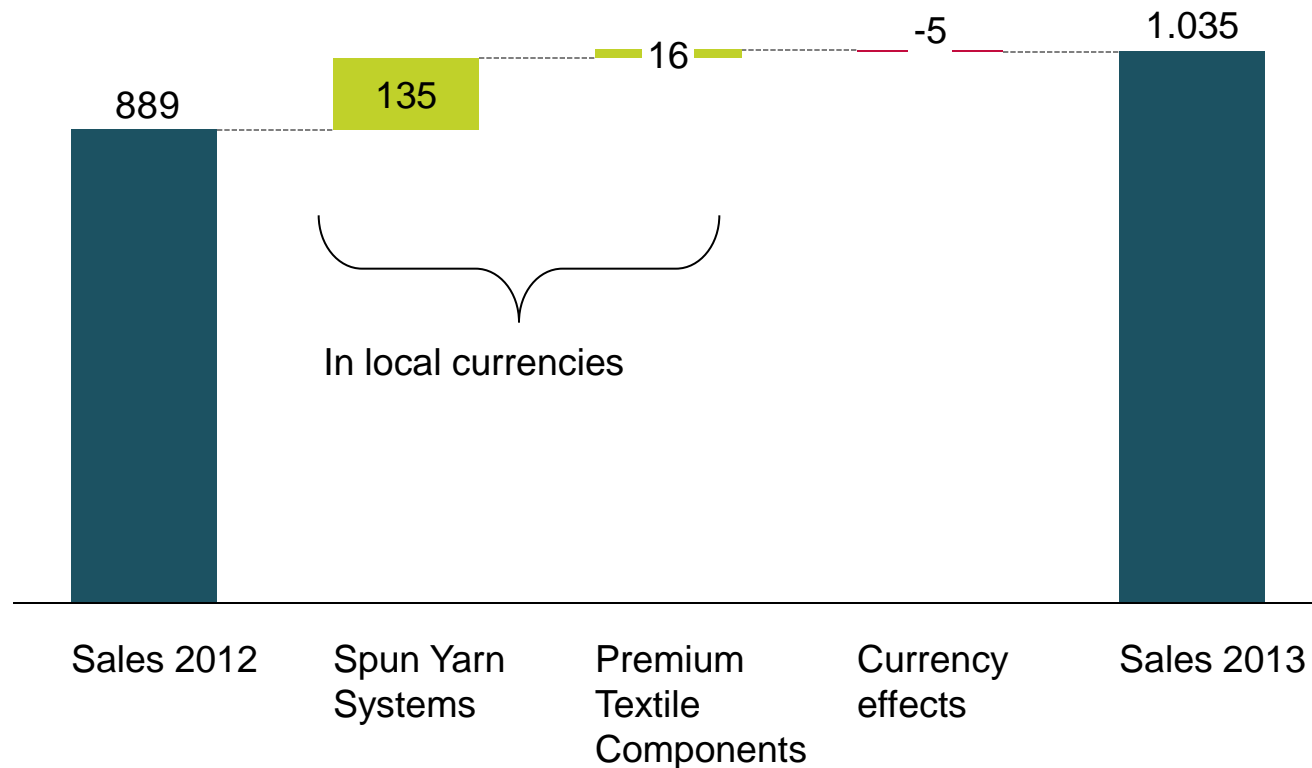
CHF million



Sales development and currency impact

Increase in both business groups driven by volume

CHF million



Spun Yarn Systems 2013



Leading systems supplier in the spinning process



CHF million	2013	2012
Order intake	1084.3	695.0
Sales	857.8	727.6
EBIT	45.3	30.5

- **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:** Trützschler, Murata, Jinsheng Group/Saurer, LMW, Jingwei
- **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

Premium Textile Components 2013

Leading supplier of premium textile components



Brands:

Bräcker

Novibra

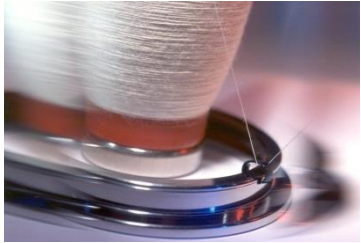
Suessen

Graf

- **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:** Trützschler, Oerlikon OTC, various Indian and Chinese 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	2013	2012
Order intake	175.1	144.7
Sales	177.5	160.9
Segment sales	259.1	232.3
EBIT	25.9	16.0

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

Authorized capital to increase financial flexibility approved at AGM 2012

Values and principles



Key data per share



		31.12.2013	30.06.2013	31.12.2012
Rieter registered shares of 5 CHF nominal value Bloomberg: RIEN; Reuters: RITZn				
Shares outstanding excl. own shares (end of period)		4'586'711	4'575'004	4'621'425
Average shares (of period)		4'602'652	4'617'076	4'609'778
Share price (end of period)	CHF	210.10	148.80	159.40
Market capitalization (end of period)	million CHF	964	681	737